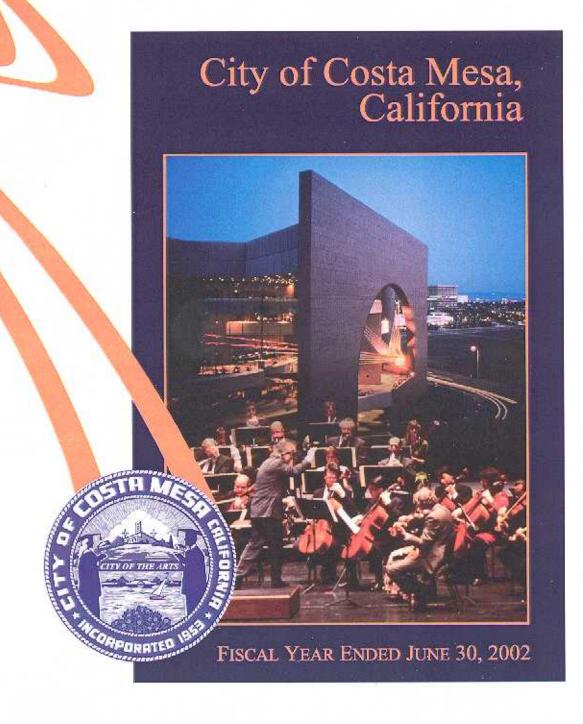
COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Costa Mesa, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2002



Prepared by the Finance Department

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2002

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CITY OF COSTA MESA



CALIFORNIA 92628-1200

P.O. BOX 1200

FROM THE OFFICE OF THE DIRECTOR OF FINANCE-CITY TREASURER.

December 6, 2002

Honorable Mayor, Councilmembers, and City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa for the fiscal year ended June 30, 2002, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups, and component units of the City of Costa Mesa. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

REPORT FORMAT

The CAFR is presented in three sections: Introductory, Financial, and Statistical.

- INTRODUCTORY SECTION which is unaudited, includes the table of contents, this
 transmittal letter, a list of principal officials, the City's organizational chart, the
 Certificate of Achievement for Excellence in Financial Reporting presented by the
 Government Finance Officers Association (GFOA), and the Award for Outstanding
 Financial Reporting presented by the California Society of Municipal Finance Officers
 (CSMFO).
- 2. FINANCIAL SECTION which includes the Independent Auditor's opinion letter, and the combined financial statements, which, together with the notes to the financial statements, comprise the General Purpose Financial Statements. These statements provide an overview for users who require less detailed information about the City's finances than is contained in the balance of the report. The remainder of the financial section presents combining statements, individual fund statements, schedules and fund descriptions.
- STATISTICAL SECTION which is unaudited, and consists of tables depicting both financial and non-financial data including selected financial and demographic information generally presented on a multi-year basis. The information is designed to reflect social and economic data, financial trends and the fiscal capacity of the City.

The City of Costa Mesa is required to have an annual single audit performed in conformity with the provisions of the Single Audit Act of 1984 and the United States Office of Management and Budget's Circular A-128, <u>Audits of State and Local Governments</u>. Information related to this single audit, including a schedule of federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and recommendations are included in a separately issued single audit report.

THE FINANCIAL REPORTING ENTITY

The financial reporting entity (the City of Costa Mesa) includes all the funds and account groups of the City of Costa Mesa as well as all of its component units. Component units are legally separate entities for which the City is fully accountable. The City is not a full service city in the generally accepted meaning of that term, but it does provide a wide range of services. These services include: police and fire protection; animal control; emergency medical aid; building safety regulation and inspection; street lighting; land use planning and zoning; housing and community development; maintenance and improvement of streets and related structures; traffic safety maintenance and improvement; and a full range of recreational and cultural programs.

Blended component units, although legally separate entities, are, in substance, part of the City's operations and are included as part of the City. Accordingly, the Costa Mesa Redevelopment Agency and the Costa Mesa Public Financing Authority have been reported as debt service and capital projects funds, as appropriate.

LOCATION AND AREA

The City of Costa Mesa, incorporated in 1953, has an estimated population of 110,932 and has a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the Orange County Performing Arts Center and the Orange County Fairgrounds.

ORGANIZATION AND POWERS

The City has operated under the council-manager form of government since incorporation. Policy making and legislative authority are vested in the City Council, which consists of a Mayor, Mayor Pro Tem, and a three-member Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing members to commissions and committees, appointing the Treasurer, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the City's department heads. The City Council is elected at large on a non-partisan basis. Councilmembers are elected to four-year staggered terms, with two or three Councilmembers elected every two years.

ECONOMIC CONDITION AND OUTLOOK

The City has continued to benefit from a robust local economy. New construction has continued at a strong pace. The local economy is primarily based on retail commercial business and light manufacturing of electronics, pharmaceuticals, and plastics. The South Coast Plaza Shopping Center, comprised of South Coast Plaza and Crystal Court, is the single largest commercial activity center in the City. The volume of sales generated by South Coast Plaza, on the strength of 322 stores, places it among the highest volume regional shopping centers in the nation. This area of the City is increasingly becoming a center of commerce for the region as a result of the new development and redevelopment now occurring. The City expects that new development now under construction or planned will increase total revenues by as much as \$2.5 million per year. Sales tax and property tax revenue generated from the Shopping Center comprise approximately 37% of our total tax revenues. Also, total sales tax revenues for the City are expected to increase by an average of 6.6% per year for the next five years and total property tax revenues are expected to increase at a rate of 6.0% - 10% for the next five years.

The City of Costa Mesa has continually been burdened by the financial pressures and impacts imposed by Federal, State, and County governments. Since the early 1980's, these governmental units have passed on to municipalities a myriad of un-funded mandates or service/regulatory requirements and also, have eliminated or redistributed significant sources of revenue. During this period, the City has been forced to absorb in excess of \$13.6 million in financial impacts from Federal, State, and County governments in the form of un-funded mandates or decreased subventions.

MAJOR DEVELOPMENT INITIATIVES

Segerstrom Home Ranch. This project is comprised of 93 acres and includes the following:

- Construction of a 308,000 square foot flagship IKEA store that is designed to serve the Orange County area; completion expected in 2003.
- Construction of 791,050 square feet of high-quality corporate office and office-related uses along the Interstate 405 frontage.
- Construction of 252,648 square feet of industrial park uses adjacent to the Los Angeles Times building; completion expected in 2003.
- Construction of a 192 single-family home planned residential community, including both detached and attached units; completion expected in 2003.
- Establishment of a 1.5-acre Historical Preservation Area that includes the historically significant Segerstrom Farmhouse and barn.

South Coast Metro Center/Experian. The master plan for the 47-acre South Coast Metro Center project area was approved to allow development of 1,405,800 square-feet of mixed-use commercial development that will include the following:

- In addition to the existing 749,288 square feet of office development, 600,000 square foot low-rise, campus style office space has been built and is now occupied by Experian's world headquarters.
- Construction of a 45,000 square foot 24 Hour Fitness health club has also been completed and is now open.
- Construction of a 300-room hotel; completion date unknown.

• Construction of 7,000 square feet of retail space and 22,000 square feet of restaurant space, that includes Macaroni Grill, which is now operating. Completion date unknown.

Target Greatlands. A new 157,500 square foot Target Greatlands store has opened on an 18-acre site, which formerly was occupied by Fedco department and home furnishing stores. The development will include an additional 76,125 square feet of retail space in phase two which is currently under construction.

Transitway Improvements. The City has been working with the Orange County Transit Authority to develop operational and capacity improvements to the Interstate 405 (I-405) and State Route 55 (SR-55). These improvements will reduce the existing and forecasted traffic congestion on City surface streets around the South Coast Metro area, extend the High Occupancy Vehicle (HOV) network, improve the connections between the I-405 and SR-55, and improve the operational characteristics of the I-405. The project is divided into three Minimum Operating Segments. Construction is under way on MOS1 and MOS2. MOS2 includes a ramp braid between the southbound SR-55 to the northbound I-405 connector and the northbound I-405 Bristol Street off-ramp to eliminate the existing weaving problems. It also includes a new on-ramp at Anton Boulevard and a new off-ramp to Avenue of the Arts. Total cost of this phase of the project is estimated at \$14,570,861. The City's required matching funds are estimated at \$7,285,432. Based upon current cash flow projections of the receipt of Gas Tax, Measure M Turnback, Traffic Impact Fees, and available grant revenues, the City will be able to meet its required local match over the thirty-nine month construction period without the need to issue debt. The project is expected to be completed in July 2004.

FUTURE DEVELOPMENT INITIATIVES

Westside Redevelopment Area. The City Council is considering options regarding the possible establishment of a Westside Redevelopment Area. This effort may include the development of a comprehensive strategic plan to improve and enhance the southwest portion of the community. The major focus of this effort will be to initiate an economic development program to revitalize and improve the West 19th Street commercial district. Other major components of this effort may focus on resolution of land use conflicts and the maintenance and improvement of existing housing stock.

Two Town Center. The adopted project, located on a 14-acre site, would result in the demolition of the existing Edward's Cinema and the development of an 8 to 10 story office building containing over 265,000 square-feet of leasable space.

Segerstrom Center for the Arts. The adopted center on a 5-acre site will include a new 2,000 seat concert hall, a 160 seat (32,000 square-feet) expansion of the South Coast Repertory theater and an art museum/academy.

South Coast Plaza Town Center. A 186-room hotel and an additional 255,000 square-feet of office space has been adopted for the South Coast Plaza Town Center Property.

Sakioka Farms Lot 1 and 2. In accordance with the North Costa Mesa Specific Plan, 1,400 new high-density residential units are adopted to be constructed on the "Lot 1" site at build-out development. The "Lot 1" site is 40.3 acres in total land area. This adopted development would consist of approximately 25-35 residential dwelling units per acre. On the "Lot 2" site, a total of 863,000 square feet of mixed use office and commercial development has been adopted at build-out development. The "Lot 2" site is 33 acres in total land area.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Unlike private sector enterprises, governments are not in the business of "making money." Rather, governments are primarily concerned with providing high quality services to their citizens. Accordingly, listed below are some of the significant accomplishments in 2001-2002 accomplished with the resources under the City's control. Those accomplishments included herein are listed by department.

A. CITY MANAGER'S OFFICE

Accomplishments:

- ✓ Recreated bi-monthly City newsletter in December 2001, per Community Objective 01-E5.
- ✓ Made significant progress with the Automated Agenda system, including the creation of the revised Agenda, a template for e-Agenda and training by the pilot departments, and purchase of hardware improvements to ensure a workable system. The system will move up the agenda distribution day to Wednesday prior to City Council meetings, with public distribution by Thursday morning, per Community Objective 01-E2.
- ✓ Actively involved with other agencies in the negotiations to the John Wayne Airport Settlement Agreement extension per Community Objective 01-D6. The City's participation assures the community that the City is providing input in the negotiation process for the betterment of the community.
- ✓ Continued positive working relationship between City administrative staff, the League of California Cities, Orange County Division representatives, and elected area legislators. Combined efforts in communications ensure that the City is "heard" on issues that would positively and/or negatively affect Costa Mesa, and that the City is kept current on the latest legislation and State issues, such as the State's budget.
- ✓ Improved the City Manager's Office Complaint Tracking System in terms of departments' response and resolution time as it pertains to citizen complaints, concerns, requests for service, and general inquiries.

B. POLICE DEPARTMENT

Accomplishments:

- ✓ Implemented Massage Ordinance, resulting effect has been the closure of 13 illegal Massage/Acupuncture businesses out of a suspected 14 illegal businesses.
- ✓ Implemented a \$90,000 grant from the California Officer of Traffic Safety (OTS) for increased DUI (Driving under the Influence) enforcement.

- ✓ Implemented the new School Resource Officer (SRO) program for the two high schools and two intermediate schools.
- ✓ Completed preliminary design phase and received Council approval to progress toward final design phase for Police Department building expansion and remodel.
- ✓ Implemented new strategies to impact the rising crime rate witnessed during calendar year 2001.

C. FIRE DEPARTMENT

Accomplishments:

- ✓ Finalized the contract with Schaefer Ambulance Service, resulting in a new source of revenue for the City of approximately \$140,000 to \$150,000 per year.
- ✓ Entered a training partnership with Santa Ana College, resulting in a new source of revenue for the City of Costa Mesa of approximately \$40,000 per year.
- ✓ Developed and implemented the first <u>Leadership Management Academy</u>.
- ✓ Implemented the Junior Firefighter Program in all fourth grade classes in Costa Mesa.
- ✓ Reorganized the Fire Administration and Fire Prevention Divisions.

D. PUBLIC SERVICES DEPARTMENT

Accomplishments:

- ✓ Completed construction of street rehabilitation on Baker Street from Harbor Boulevard to McClintock Way, and on Baker Street from Bristol Street to Newport Avenue and pavement reconstruction of segments of Orange Avenue, Hamilton Street, and Santa Ana Avenue.
- ✓ Installed a new traffic signal on Wilson Street, east of Harbor Boulevard to serve the Harbor Center and K-Mart Shopping Centers; and improved transit amenities in Downtown and Westside Costa Mesa with installation of new concrete bus benches and trash containers at 76 bus stop locations.
- ✓ Constructed alley and storm drain improvements to the Joann Street and Center Street alleys as part of the City's plan to pave unimproved alleys citywide.
- ✓ Completed the seismic retrofit of the City Hall, and the Corporation Yard Administrative Building.
- ✓ Installed of LED (light emitting diode) traffic signal bulbs. Approximately two third (2,200) of the City's red and green traffic signal bulbs have been converted to new, low energy, LED bulbs. LED bulbs consume 80 to 90 percent less energy than standard incandescent bulbs and will result in a cost savings of over \$80,000 annually.

E. DEVELOPMENT SERVICES DEPARTMENT

Accomplishments:

- ✓ Completed Sign Ordinance revision per City Council and Planning Commission direction.
- ✓ Completed processing of South Coast Plaza Town Center EIR, General Plan and North Costa Mesa Specific Plan amendments, and Development Agreements.
- ✓ Completed Redevelopment Feasibility Study to assess opportunities to expand current Downtown Redevelopment Project Area.

- ✓ Plan checked and inspected the complete reconstruction of The Laboratories, at ICN Pharmaceuticals (formerly one of the most hazardous locations in the City).
- ✓ Concluded terms of the settlement agreement at 3007 Samoa Place.

F. ADMINISTRATIVE SERVICES DEPARTMENT

Accomplishments:

- ✓ Implemented the 800 MHz trunked system for public safety and local government.
- ✓ Implemented an after school recreation and education program with Costa Mesa C.A.R.E.S.
- ✓ Created a Mobile Skate Park program and opened new Downtown Recreation Center.
- ✓ Conducted a comprehensive Request for Proposals (RFP) process for liability claims administration services contract, with Newport Beach and Huntington Beach participating, bringing significant administrative efficiencies to all three cities.
- ✓ Adopted Memoranda of Understanding with Costa Mesa Police Association, Costa Mesa Police Management Association and Costa Mesa City Employees Association.

G. FINANCE DEPARTMENT

Accomplishments:

- ✓ Received the GFOA award for Distinguished Budget Presentation and the CSMFO award for Excellence in Operational Budgeting for the City's FY 01-02 budget.
- ✓ Received the GFOA Excellence in Financial Reporting award for the City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2001.
- ✓ Completed recruitment of various vacant positions in the department to bring staffing to full strength.
- ✓ Updated User Fees and Charges for FY 01-02.
- ✓ Remodeled Treasury Division to provide adequate workstations for all staff members to enhance operational efficiency.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City's accounting records for general governmental operations and agencies are maintained on a modified accrual basis, with revenues recorded when measurable and available and expenditures recorded when the services or goods are substantially performed or received and the liabilities incurred. Accounting records for the City's Internal Service Funds are maintained on the full accrual basis.

In developing and improving the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurances regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by Management.

All internal control evaluations occur within the above framework. It is Management's belief

that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

The City of Costa Mesa maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for certain special revenue and debt service funds for which annual budgets were not adopted.

Budgetary control for management purposes is maintained as authorized by Council at the department functional level within individual funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. All estimated purchase amounts are encumbered prior to the release of purchase orders to vendors. At fiscal year end, all operating budget appropriations lapse. Open encumbrances are reported as reservations of fund balances at June 30, 2002. As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management of the City's operations.

The City Manager submits the budget to the City Council, who adopts it prior to the beginning of the fiscal year. Public hearings are conducted prior to budget adoption. Supplemental appropriations, when required during the fiscal year, are also approved by the City Council. Intrafunctional budget changes are approved by the City Manager.

The City of Costa Mesa has continued to be proactive in its budget approach during 2001-2002. In December 2001, budget preparation began for the 2002-2003 fiscal year. Based on previous City Council direction, departments were instructed to prepare "flat" budgets with no bottom-line increases. Additionally, the 2002-03 fiscal year budget will maintain all services at current levels; does not use the \$14.125 million General Fund operating reserve; and provides a strong Police field presence.

In March 2002, budget hearings were held with department management to review the submitted flat budgets, and supplemental proposals for additional appropriations. The City Manager, together with Finance department staff, reviewed each department's budget to ensure compliance with City Council direction and the City Manager's budget directives to curtail non-essential spending. As a result, the General Fund has been balanced in accordance with criteria established by the City Council and the City Manager.

The City Council adopted a resolution establishing the City's appropriation limit at \$120,330,536 for the 2001-02 fiscal year. This calculation was determined by applying factors for growth in California per capita income (7.82%), and growth in Orange County population (2.02%) to the 2000-2001 calculated limit of \$109,393,421. Total revenue generated from tax proceeds for 2001-2002 has been projected at \$60,568,320, which is \$59,762,216, or 49.7% below the calculated appropriation limit for 2001-2002.

Single Audit. As a recipient of Federal financial assistance, the City of Costa Mesa is responsible for ensuring that an adequate internal accounting control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the single audit, tests were made of the City's internal control structure and of its compliance with applicable laws and regulations, including those related to Federal financial assistance programs. Although this testing was not sufficient to support an opinion on the City's internal control system or its compliance with laws and regulations related to non-major Federal financial assistance programs, the audit for the year ended June 30, 2002, disclosed no material internal control weaknesses or material violations of laws and regulations.

GENERAL GOVERNMENTAL FUNCTIONS

The following schedule presents a summary of general, special revenue, debt service, and capital projects fund revenue by source for the fiscal year ended June 30, 2002, as compared to the prior fiscal year.

	Year Ended June 30		Increase/ <decrease></decrease>	
Source	2002	2001	Amount	Percent
Taxes	\$59,066,320	\$60,434,989	(\$1,368,669)	-2.3%
Licenses and permits	1,516,212	2,268,689	(752,477)	-33.2%
Fines and forfeits	2,145,631	1,887,675	257,956	13.7%
Intergovernmental	22,541,858	19,077,230	3,464,628	18.2%
Charges for services	2,233,011	2,661,860	(428,849)	-16.1%
Rental	2,643,323	2,498,142	145,181	5.8%
Investment Income	5,858,172	7,434,201	(1,576,029)	-21.2%
Miscellaneous	1,040,544	391,850	648,694	165.5%
Total	<u>\$97,045,071</u>	\$96,654,636	<u>\$390,435</u>	0.4%

Governmental fund type revenue totaled \$97,045,071 for fiscal year 2001-2002, which represents an increase of \$390,435 or 0.4% when compared to revenue realized in 2000-2001. The City continues to pursue grants and cooperative agreements with other governmental entities. Further, the City continues to benefit from its unique position as home to one of the premier mega-malls in the nation, South Coast Plaza. Tax revenue decreased by 2.3% from fiscal year 2000-2001. Licenses and Permits also decreased at a rate of 33.2% under 2000-2001. Revenue from Investment Income decreased by \$1,576,029 or 21.2% when compared to 2000-2001. The local economy has continued to provide some cushion from the economic woes facing the nation. This revenue base has historically had an attractive rate of growth for both property and sales taxes collected by the City. However, during the current economic downturn, the strength of the local economy has buffered the extent of the effects of the recession on the local economy. The local economy has shown some recent signs of improvement and is expected to recover faster than most areas in the country.

The following schedule presents a summary of general, special revenue, debt service, and capital projects fund expenditures by function for the fiscal year ended June 30, 2002, as compared to the prior fiscal year.

	Year Ended June 30		Increase/ <decrease< th=""></decrease<>	
Function	2002	2001	Amount	Percent
Current:				
General Government	\$19,648,587	\$20,020,444	(\$371,857)	-1.9%
Protection of persons and property	44,953,141	41,684,236	3,268,905	7.8%
Community Programs	6,195,499	5,614,630	580,869	10.3%
Transportation	17,294,673	11,011,449	6,283,224	57.1%
Redevelopment	986,134	410,324	575,810	140.3%
Debt Service:				
Principal	2,232,295	2,114,640	117,655	5.6%
Interest and fiscal charges	3,000,282	2,735,624	264,658	9.7%
Total	\$94,310,611	\$83,591,347	\$10,719,264	12.8%

Governmental fund type expenditures totaled \$94,310,611 for fiscal year 2001-2002 which represents an increase of \$10,719,264 when compared to expenditures realized in 2000-2001. The largest percentage increase occurred in Redevelopment primarily due to consulting fees associated with consideration of creation of a second project area. Smaller percentage increases occurred in Transportation, Community Programs, and Interest and fiscal charges. The General Government functional expenditures decreased by 1.9%. Overall, the functional expenditure increases reflect management's efforts to provide the desired level of street improvements and increased public safety at the most efficient cost to the community.

GENERAL OPERATING FUND BALANCES

The total fund balance of the General Operating Fund decreased by \$435,459 or 0.68% during fiscal year 2001-2002. The General Fund operating reserve remained at \$14,125,000 and represents 18.0% of the 2001-2002 General Fund Adopted Budget of \$78,413,642. The fiscal year 2001-2002 General Fund adopted budget of \$78,413,642 reflects an increase of \$7,434,149 from the 2000-2001 approved budget. The following table shows fund balances for the last five years:

<u>Year</u>	Reserved Fund Balance	<u>Unreserved Fund Balance(1)</u>	Total Fund Balance
2002	\$14,213,621	\$49,532,133	\$63,745,754
2001	14,818,438	49,362,775	64,181,213
2000	14,745,647	45,444,311	60,189,958
1999	16,420,035	37,160,893	53,580,928
1998	14,624,925	32,712,867	47,337,792

⁽¹⁾ The totals presented for Unreserved Fund Balances include both Unreserved-designated and Unreserved-undesignated General Fund fund balance totals.

DEBT ADMINISTRATION

The City accounts for general debt service in four different funds. Sources of revenues for retirement of outstanding bonded indebtedness include general property and sales taxes as well as tax increment financing authority captured tax revenues.

The City of Costa Mesa currently enjoys an "Aa" bond rating from Moody's Investors Service. Briefly defined, this rating is given to bonds which are determined to be of high investment quality by all standards. On June 2, 1997, the City of Costa Mesa issued \$11,815,00 of Refunding Certificates of Participation in order to advance refund Certificates issued in 1984. The Certificates were originally issued to fund the construction of a parking garage adjacent to the Orange County Performing Arts Center. This issue is in name only and is considered to be no commitment debt of the City of Costa Mesa. On May 21, 1998, the Costa Mesa Financing Authority issued \$13,715,000 of Revenue Bonds. The proceeds of these bonds were used to advance refund the Financing Authority's 1990 Lease Revenue bonds.

The City continuously reviews existing debt for refunding possibilities to lower total debt service requirements. The City has no short-term borrowings. Further, the City is considering funding a non-bond fund for the purpose of funding projects for which debt may have otherwise been issued. The City also has adopted a comprehensive set of debt policies covering all aspects of debt issuance in order to consolidate information for debt obligations and maintain its good credit standing. These policies are reviewed annually and updated as is appropriate.

ACCOUNT GROUPS

The General Fixed Asset Account Group of the City presents fixed assets used in the performance of general governmental functions and excludes the fixed assets of Internal Service Funds maintained by the City. As of June 30, 2002, assets recorded in the General Fixed Asset Account Group are valued at \$91,154,646. This amount represents the original cost if the assets and is considerably less than their replacement value. Depreciation of general fixed assets is not recognized in the City's accounting system in accordance with governmental accounting standards

The General Long-Term Debt Account Group presents the balance of long-term debt which is not recorded within proprietary fund types. As of June 30, 2002, long-term debt recorded in the General Long-Term Debt Account Group amounts to \$56,563,772. Included in this amount is \$4,863,396 representing the non-current portion of accrued compensated absences of the governmental fund types which are categorized within the statement as employee leave benefits payable.

CASH MANAGEMENT

The City invests its pooled idle cash investments utilizing the standard of prudence known as the "prudent man standard" which states, in part, that investments will be invested using the judgment and due care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The City's cash management system is designed to monitor cash balances, forecast revenues and expenditures accurately, and to invest idle funds to the fullest extent possible. The City attempts to obtain the highest available investment yields consistent with the criteria established and outlined in the City's investment policy. This policy is reviewed and approved annually by the City Council. During 1995-96, an Investment Oversight Committee was formed by the City Council to review the City's Investment Policy, and make recommendations to the City Council. Some of the instruments in which the City may invest are securities of the U.S. Government or its agencies, certificates of deposit, banker's acceptances, medium term corporate notes, commercial paper, the State of California's Local Agency Investment Fund, the Orange County Treasurer's Pool, and demand deposit accounts. The weighted-average investment rate of return earned on the City's investment portfolio as of June 30, 2002, was 4.909%. The City's cash position remained healthy throughout the year. Cash and investments represented approximately 34.6% of the City's total assets as of June 30, 2002.

RISK MANAGEMENT

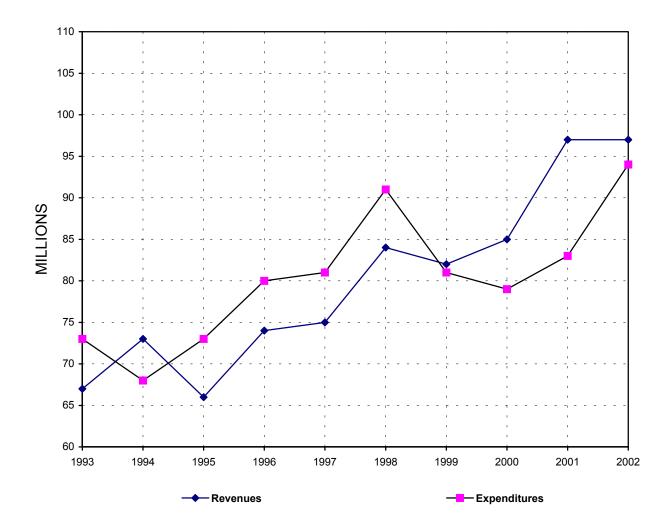
The City of Costa Mesa has an aggressive risk management program designed to reduce the City's operational cost of risk to the lowest level possible. This program involves the making and carrying out of decisions that will minimize the adverse effects of accidental losses in the City. The program includes: 1) identifying loss exposures, 2) examining alternative techniques for handling these exposures, 3) selecting and implementing the chosen technique, and 4) monitoring the results to ensure program effectiveness. Some of the techniques chosen by the City include self-funding of small losses, purchasing insurance and reinsurance for large property and casualty exposures, and implementing an active safety and loss control program. The Risk Management Division is located within the Personnel Department and is responsible for workers' compensation; general, automobile and aviation liability; real and personal property asset protection; and industrial safety and loss control.

Self-insured programs with responsible loss retention levels are utilized for workers' compensation and automobile/general liability exposures. Commercial excess insurance or excess coverage provided through pooling arrangements with other municipalities have been procured for loss exposure above the retention levels and through catastrophic limits. Real and personal property and aviation liability exposures are protected by comprehensive policies of commercial insurance.

Liabilities for self-insured losses are fully funded when incurred. Funding levels for accrued liabilities are verified for adequacy by periodic internal and external actuarial reviews.

CITY OF COSTA MESA

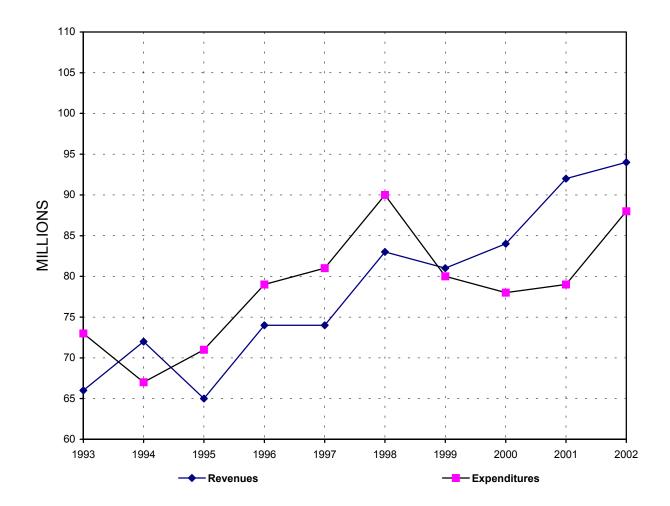
Revenue and Expenditures – Combined Reporting Entity For the Last Ten Fiscal Years



The graph above illustrates the revenue and expenditures for the last ten fiscal years of the combined reporting entity which includes the City of Costa Mesa, the Costa Mesa Redevelopment Agency, and the Costa Mesa Public Finance Authority. The data presented include all government fund types: general, special revenue, debt service, and capital projects funds. Revenues exceeded expenditures for the last four consecutive fiscal years.

CITY OF COSTA MESA

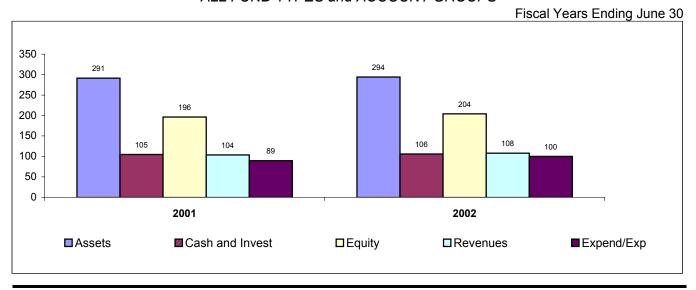
Revenue and Expenditures – Excluding Component Units For the Last Ten Fiscal Years



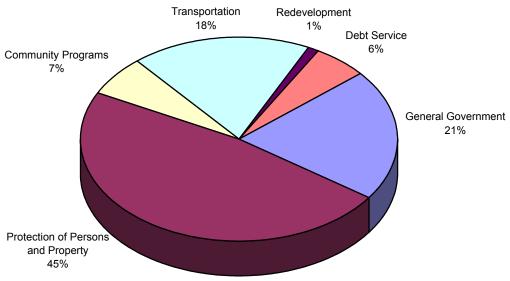
The graph above illustrates the revenue and expenditures of the City of Costa Mesa, excluding its component units, for the last ten fiscal years. The data presented include all governmental fund types: general, special revenue, debt service, and capital projects funds. Revenues exceeded expenditures for the last four consecutive years.

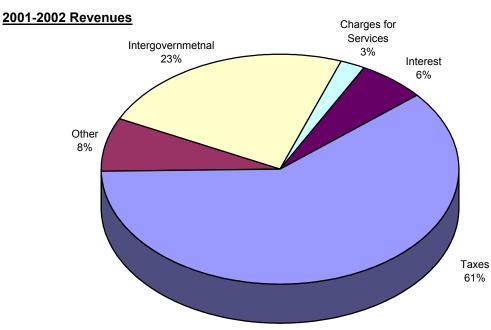
CITY OF COSTA MESA FINANCIAL PERFORMANCE

ALL FUND TYPES and ACCOUNT GROUPS



2001-2002 Expenditures/Expenses





INDEPENDENT AUDIT

The Government Code of the State of California requires general law cities, such as the City of Costa Mesa, to be audited annually by independent certified public accountants. The accounting firm of Conrad and Associates, LLP, CPA's, was selected by the City Council in fiscal year 2001-2002 to continue to conduct the City's annual audit. Conrad and Associates has continuously performed the City's audit since they were first selected by the City Council in fiscal year 1990-91. In addition to meeting the requirements set forth in the Government Code, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-128. The independent auditors' report on the general purpose financial statements, and combining and individual statements and schedules is included in the Financial Section of this CAFR. The independent auditors' reports related specifically to the single audit are provided in a separate report.

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Costa Mesa for its CAFR for the fiscal year ended June 30, 2001. This was the twenty-second consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for the Certificate.

In addition, the California Society of Municipal Finance Officers (CSMFO) has awarded its Certificate of Award for Outstanding Financial Reporting to the City of Costa Mesa for its CAFR for the fiscal year ended June 30, 2001. The CSMFO annually conducts the California Award Program to promote excellence in financial reporting among California cities. Awards are presented in two categories: Outstanding and Meritorious. The judging standards for the Outstanding Award are substantially the same as those of the GFOA Certificate of Achievement for Excellence in Financial Reporting.

ACKNOWLEDGEMENTS

Special recognition is extended to the entire Finance Department staff for the continued, dedicated, and efficient services that they provide daily to all City departments. Special appreciation is also extended specifically to the Accounting division staff that contributed to and participated in the coordination and preparation of this Comprehensive Annual Financial Report. In addition, our deepest appreciation is also extended to Leigh Chalkley and the Central Services Division staff for their assistance in the design of the cover of this report and printing of this document. In addition, thanks are also extended to our independent auditors, Conrad and Associates, for their expertise and advice in preparing an improved financial report this past year.

Members of the City Council have continued to express their interest and extend their support to the Finance Department in the planning of responsible and proactive financial operations for the City. Through the team effort of its City Council, City Manager, Department Heads, and employees, the City expects to continue the high level of service, which is currently provided to the citizens of our community. Due to the consistent policies of the City Council and each employee's commitment to maintain superior service level standards, the City of Costa Mesa has been able to maintain a sound financial base from which to operate.

Respectfully submitted,

MARC R. PUCKETT

Director of Finance



City of Costa Mesa List of Principal Officials

June 30, 2002

Mayor Linda Dixon

City Council
Elizabeth A. Cowan
Gary Monahan
Karen Robinson
Chris Steel

City Attorney	Allen I Doodon
City Attorney	Allen L. Roeder
D' A CALL AND A CALL A	Jerry A. Scheer
Director of Administrative Services	Steven F. Hayman
Director of Development Services	Steven E. Hayinan
Disease of Bovolopinone Scivices	Donald D. Lamm
Director of Finance	Marc R Puckett
Director of Public Works	Wide IX. I dekell
Fine Chief	William J. Morris
Fire Chief	Iames M Filis
Police Chief	D : 11 C
ornified to extended to the	David L. Snowden

City of Costa Mesa, California **Organizational Chart** Citizens of Costa Mesa City Council Mayor and Four Council Members 0.48" 53" 0.02 **Council Appointed** Parks, **Planning City Attorney** City Manager Committees Recreation Facilities, Commission Administration Administration **Parkways Commission** City Clerk CDBG HOME **Finance Public Services** Administration Administration Administration Suppression/Mobile **Engineering Services Financial Operations** Intensive Care Transportation Services Financial Planning Project Administration Prevention Maintenance Services Sanitation

Central Services
Telecommunications Services
Management Information Services
Recreation Services

Police

Administration

Administrative Services

Patrol Services

Operation Services

Administrative

Services

Administration

Personnel Services

Risk Management Services

Visit our Web site at www.ci.costa-mesa.ca.us

Development

Services

Administration

Planning

Building & Safety

Redevelopment

CITY OF COSTA MESA

GFOA Certificate of Achievement for Excellence in Financial Reporting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Costa Mesa, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



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Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Costa Mesa for the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001.

In order to be awarded a certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes the current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and is submitting it to GFOA to determine its eligibility for another certificate.

CITY OF COSTA MESA

CSMFO Certificate of Award for Outstanding Financial Reporting

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2000-2001

Presented to the

City of Costa Mesa

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 20, 2002

Dedicated to Excellence in Municipal Financial Management

On February 20, 2002, the California Society of Municipal Finance Officers (CSMFO) awarded the City of Costa Mesa its Award for Outstanding Financial Report, for the fiscal year ended June 30, 2001. To qualify for this award, a governmental unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to award program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

Financial Section

CERTIFIED PUBLIC ACCOUNTANTS



1100 MAIN STREET, SUITE C IRVINE, CALIFORNIA 92614 (949) 474-2020 Fax (949) 263-5520

City Council City of Costa Mesa, California

Independent Auditors' Report

We have audited the accompanying general purpose financial statements of the City of Costa Mesa, California as of and for the year ended June 30, 2002, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the management of the City of Costa Mesa, California. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Costa Mesa, California, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Costa Mesa, California. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The scope of our audit did not include the statistical schedules listed in the table of contents and we do not express an opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

land and proces tes, L.L.P.

September 20, 2002



Combined Statements Overview

COMBINED STATEMENTS – OVERVIEW

The following five combined financial statements, along with the Notes to the Financial Statements, present an overview of the City's financial position at June 30, 2002 and the results of operations and cash flows in the proprietary funds for the year then ended.

Individual funds utilized by the City are grouped on these statements into four categories:

Governmental Fund Types

These funds (General, Special Revenue, Debt Service, and Capital Projects) are those through which most governmental functions are typically financed. The governmental fund measurement focus is on the "financial flow," the accounting for sources and uses of available spendable resources, not on net income determination.

Proprietary Fund Types

These funds (Internal Service) are used to account for the City's ongoing activities, which are similar to those found in the private sector. The proprietary fund measurement focus is "capital maintenance" as in private industry, with the emphasis on net income determination.

Fiduciary Fund Types

These funds (Trust and Agency) are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Account Groups

Account groups are used to establish accounting control for the City's general fixed assets and unmatured principal of its general long-term debt. Because these assets and liabilities are long-term, they are neither spendable resources nor require current appropriation. They are therefore accounted for separately from governmental fund types.

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Assets: Cash and investments (note 2) Cash and investments with fiscal agent (note 2)	\$ 45,926,944	16,234,864	3,813,112 4,104,457	14,934,700 480,179
Due from other governments Accounts receivable Interest receivable	7,349,953 983,377 1,280,629	1,191,706 12,164 95,847	278,341 45,000 5,948	719,391 - 754,920
Loans receivable Rent receivable Due from other funds (note 3)	988,715	3,554,853	- - -	275,250 939,027
Advances to other funds (note 4) Inventories	13,073,043 20,150	1,153,019	- -	- -
Prepaid items Land held for resale Fixed assets (net of accumulated	565,000 -	-	12,105	247,550 1,697,665
depreciation) (notes 6 and 7) Other debits: Amounts available in debt service funds	- -	-	- -	-
Amount to be provided for retirement of long-term debt				
Total assets and other debits	\$ 70,187,811	22,276,151	8,258,963	20,048,682
Liabilities, equity and other credits				
Liabilities: Accounts payable	\$ 1,063,315	657,568	969,057	470,283
Accrued liabilities Retentions payable Deposits payable	1,282,955 11,096 3,722,758	51,642 257,665	4,765 -	146 267,107 443,986
Due to other funds (note 3) Due to other governments	5,722,736 - -	1,010,031	- -	11,163
Claims payable (note 23) Advances from other funds (notes 4 and 8) Loans payable (notes 8 and 10) Held for bondholders	- - -	- - -	953,019	- - -
Deferred revenue Capital leases payable (notes 8 and 11)	361,933	3,772,121	- - -	2,280,493
Bonds payable (notes 8, 9, and 12) Employee leave benefits payable (note 8)				
Total liabilities	6,442,057	5,749,027	1,926,841	3,473,178
Equity and other credits: Contributed capital (note 15) Investment in general fixed assets Retained earnings:	- -	- -	- -	- -
Unreserved Fund balances (note 14):	-	- 2 2 2 2 1 2	-	4 460 047
Reserved Unreserved - designated Unreserved - undesignated	14,213,621 26,922,787 22,609,346	2,377,717 8,332,230 5,817,177	6,346,532 (14,410)	4,468,847 12,066,339 40,318
Total equity and other credits	63,745,754	16,527,124	6,332,122	16,575,504
Total liabilities, equity and other credits	\$ 70,187,811	22,276,151	8,258,963	20,048,682

The notes to the financial statements are an integral part of this statement.

Internal Trust and General Long-Term (Memorandum Debt 2002	
Service Agency Fixed Assets Debt 2002 16,510,127 4,315,023 - - 101,734,770 - - - - 4,584,636 - 264,469 - - 9,803,860	2001 100,618,078 4,355,422 10,003,614 1,229,782 2,454,442
16,510,127	4,355,422 10,003,614 1,229,782 2,454,442
4,584,636 - 264,469 9,803,860	4,355,422 10,003,614 1,229,782 2,454,442
- 264,469 9,803,860	10,003,614 1,229,782 2,454,442
	2,454,442
- 34,316 1,074,857 95,488 7,750 2,240,582	
3,830,103	
939,027	900,099
1,022,413 14,226,062	1,916,487 15,046,229
69,387 1,283 - 90,820	96,691
63,583	553,551 1,697,665
	1,097,003
3,870,651 - 91,154,646 - 95,025,297	90,522,090
6,332,122 6,332,122	6,282,763
	51,330,342
<u>20,609,236</u>	291,456,418
163,413 228,022 3,551,658	3,092,641
18,455	1,275,865 379,205
- 2,962,897 7,129,641	6,330,525
- 1,219 1,022,413 - 1,177,115 1,177,115	1,916,487 2,143,290
10,737,660	9,480,431
13,273,043 14,226,062	15,046,229
309,953 309,953 - 245,745 245,745	637,248
6,414,547	11,219,366
1,097,380 1,097,380 37,020,000 37,020,000	453,043 38,925,000
<u> </u>	4,395,922
10,919,528 4,625,343 - 56,563,772 89,699,746	95,295,252
610,779 610,779 - 91,154,646 - 91,154,646	610,779 86,874,328
9,078,929 9,078,929	9,354,243
27,406,717 47,321,356	29,093,507 44,823,437
28,452,431	25,404,872
9,689,708 - 91,154,646 - 204,024,858	196,161,166
20,609,236 4,625,343 91,154,646 56,563,772 293,724,604	291,456,418



Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types

For the fiscal year ended June 30, 2002

					Tota	ls
		Special	Debt	Capital	(Memoranda	ım Only)
	General	Revenue	Service	Projects	2002	2001
Revenues:						
Taxes	\$ 55,435,302	1,245,418	2,384,810	790	59,066,320	60,434,989
Licenses and permits	1,516,212	-	-	-	1,516,212	2,268,689
Fines and forfeits	1,919,652	225,979	-	-	2,145,631	1,887,675
Intergovernmental	8,389,209	10,826,894	-	3,325,755	22,541,858	19,077,230
Charges for services	2,106,416	126,595	-	-	2,233,011	2,661,860
Rental	2,573,044	-	-	70,279	2,643,323	2,498,142
Investment income	3,993,787	859,508	339,294	665,583	5,858,172	7,434,201
Miscellaneous	752,149	158,093		130,302	1,040,544	391,850
Total revenues	76,685,771	13,442,487	2,724,104	4,192,709	97,045,071	96,654,636
Expenditures:						
Current:						
General government	17,891,588	1,756,999	-	-	19,648,587	20,020,444
Protection of persons and property	44,091,896	861,245	-	-	44,953,141	41,684,236
Community programs	5,064,347	1,131,152	-	-	6,195,499	5,614,630
Transportation	4,598,100	7,142,624	-	5,553,949	17,294,673	11,011,449
Redevelopment	-	863,071	-	123,063	986,134	410,324
Debt service:						
Principal	-	-	2,232,295	-	2,232,295	2,114,640
Interest and fiscal charges			3,000,282		3,000,282	2,735,624
Total expenditures	71,645,931	11,755,091	5,232,577	5,677,012	94,310,611	83,591,347
Excess (deficiency) of revenues						
over (under) expenditures	5,039,840	1,687,396	(2,508,473)	(1,484,303)	2,734,460	13,063,289
Other financing sources (uses):						
Operating transfers in (note 5)	427,606	1,263,337	2,638,536	2,222,131	6,551,610	9,443,373
Operating transfers out (note 5)	(6,044,091)	(9,634)	(17,269)	(172,574)	(6,243,568)	(9,132,723)
Lease proceeds	122,298	-	_	675,000	797,298	495,874
Sale of land						445,000
Total other financing						
sources (uses)	(5,494,187)	1,253,703	2,621,267	2,724,557	1,105,340	1,251,524
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(454,347)	2,941,099	112,794	1,240,254	3,839,800	14,314,813
Fund balance at beginning of year, as restated (note 24)	64,200,101	13,586,025	6,219,328	15,335,250	99,340,704	85,007,003
Fund balance at end of year	\$ 63,745,754	16,527,124	6,332,122	16,575,504	103,180,504	99,321,816

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types

For the fiscal year ended June 30, 2002

	General			Special Revenue		
_	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual (Note 22)	
Revenues:	Ф. 5.4. 42.5. 02.0	55 425 202	1 010 202	1 222 000	1.045.410	
Taxes	\$ 54,425,020	55,435,302	1,010,282	1,223,000	1,245,418	
Licenses and permits	2,517,300	1,516,212	(1,001,088)	-	225,979	
Fines and forfeits	1,308,800	1,919,652	610,852	160,000	10,826,894	
Intergovernmental	7,114,988	8,389,209	1,274,221	8,914,120	-	
Charges for services	2,053,189	2,106,416	53,227	200,000	30,185	
Rental	2,446,000	2,573,044	127,044	-	-	
Investment income	3,490,000	3,993,787	503,787	498,700	855,854	
Miscellaneous	546,458	752,149	205,691		158,093	
Total revenues	73,901,755	76,685,771	2,784,016	10,995,820	13,342,423	
Expenditures:						
Current:						
General government	19,520,936	17,891,588	1,629,348	2,026,947	1,756,999	
Protection of persons and property	42,560,780	44,091,896	(1,531,116)	1,500,996	861,245	
Community programs	5,868,641	5,064,347	804,294	2,593,980	1,131,152	
Transportation	5,025,518	4,598,100	427,418	6,422,221	7,142,624	
Redevelopment	· · · · -	· · ·	· -	1,180,302	863,071	
Debt service:						
Principal	_	=	-	=	_	
Interest and fiscal charges						
Total expenditures	72,975,875	71,645,931	1,329,944	13,724,446	11,755,091	
Excess (deficiency) of revenues						
over (under) expenditures	925,880	5,039,840	4,113,960	(2,728,626)	1,587,332	
Other financing sources (uses):						
Operating transfers in (note 5)	_	427,606	427,606	314,634	1,263,337	
Operating transfers out (note 5)	(5,437,767)	(6,044,091)	(606,324)	19,268	(9,634)	
Lease proceeds	-	122,298	122,298	· =	-	
Sale of land			<u> </u>		<u> </u>	
Total other financing sources (uses)	(5,437,767)	(5,494,187)	(56,420)	333,902	1,253,703	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(4,511,887)	(454,347)	4,057,540	(2,394,724)	2,841,035	
Fund balance at beginning of year, as restated (note 24)	64,200,101	64,200,101	- _	13,586,025	13,586,025	
Fund balance at end of year	\$ 59,688,214	63,745,754	4,057,540	11,191,301	16,427,060	

The notes to the financial statements are an integral part of this statement.

		Debt Service			Capital Projects	
Variance - Favorable (Unfavorable)	Budget	Actual (Note 22)	Variance - Favorable (Unfavorable)	Budget	Actual (Note 22)	Variance - Favorable (Unfavorable)
22,418 225,979	2,443,745	2,384,810	(58,935)	- -	- -	-
10,666,894 (8,914,120) (169,815)	- - -	- - -	- - -	5,198,850	3,325,755	(1,873,095)
357,154 158,093	15,000	40,682	25,682	70,000 470,593	70,279 663,559 130,302	279 192,966 130,302
2,346,603	2,458,745	2,425,492	(33,253)	5,739,443	4,189,895	(1,549,548)
269,948 639,751 1,462,828 (720,403) 317,231	- - - -	- - - -	- - - -	5,400,296 172,665	5,553,949 123,063	- - (153,653) 49,602
<u>-</u>	866,600 1,563,780	862,295 1,490,844	4,305 72,936		-	<u>-</u>
1,969,355	2,430,380	2,353,139	77,241	5,572,961	5,677,012	(104,051)
4,315,958	28,365	72,353	43,988	166,482	(1,487,117)	(1,653,599)
948,703 (28,902)	(43,320)	(17,269)	26,051	2,155,241 (100,000)	2,222,131 (170,279) 675,000	66,890 (70,279) 675,000
919,801	(43,320)	(17,269)	26,051	2,055,241	2,726,852	671,611
5,235,759	(14,955)	55,084	70,039	2,221,723	1,239,735	(981,988)
	6,219,328	6,219,328		15,335,250	15,335,250	
5,235,759	6,204,373	6,274,412	70,039	17,556,973	16,574,985	(981,988)

Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Types (Internal Service Funds)

For the fiscal year ended June 30, 2002

	2002	2001
Operating revenues:		
Charges for services	\$ 5,019,938	5,947,855
Total operating revenues	5,019,938	5,947,855
Operating expenses:		
Allocated administration costs	818,207	1,086,797
Depreciation	488,028	400,746
Automotive fuel and parts	514,558	356,255
Claims and premiums	3,937,494	4,047,378
Total operating expenses	5,758,287	5,891,176
Operating income (loss)	(738,349)	56,679
Nonoperating revenues (expenses):		
Investment income	827,865	926,027
Loss on sale of equipment	(82,448)	, -
1 1		
Total nonoperating revenues (expenses)	745,417	926,027
Income (loss) before operating transfers	7,068	982,706
Operating transfers:		
Operating transfers out (note 5)	(308,042)	(310,650)
Total operating transfers	(308,042)	(310,650)
Net income (loss)	(300,974)	672,056
Retained earnings at beginning of year, as restated (note 24)	9,379,903	8,682,187
Retained earnings at end of year	\$ 9,078,929	9,354,243

The notes to the financial statements are an integral part of this statement.

Combined Statement of Cash Flows - Proprietary Fund Types (Internal Service Funds)

For the fiscal year ended June 30, 2002

	2002	2001
Cash flows from operating activities: Cash received from customers and user departments Cash payments to suppliers for goods and services Cash payments to employees for services	\$ 5,023,694 (3,610,444) (551,138)	5,944,099 (3,500,020) (541,214)
Net cash provided by operating activities	862,112	1,902,865
Cash flows from noncapital financing activities: Cash paid to other funds	(315,407)	(312,170)
Net cash provided by (used for) noncapital financing activities	(315,407)	(312,170)
Cash flows from capital and related financing activities: Acquisition of capital assets	(828,615)	(1,093,698)
Net cash provided by (used for) capital and related financing activities	(828,615)	(1,093,698)
Cash flows from investing activities: Investment income received	935,203	939,061
Net cash provided by investing activities	935,203	939,061
Net increase in cash and cash equivalents	653,293	1,436,058
Cash and cash equivalents at beginning of year	15,856,834	14,420,776
Cash and cash equivalents at end of year	\$ 16,510,127	15,856,834
Reconciliation of operating income (loss) to net cash provided by operating activities: Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	\$ (738,349)	56,679
Depreciation Loss on sale of equipment (Increase) decrease in accounts receivable (Increase) decrease in inventories (Increase) decrease in prepaid items (Increase) decrease in other assets Increase (decrease) in accounts payable Increase (decrease) in accrued liabilities Increase (decrease) in claims payable	488,028 (82,448) 3,756 (2,451) (63,583) 117,698 (121,803) 4,035 1,257,229	400,746 (3,756) (3,686) - 65,236 130,063 (2,306) 1,259,889
Net cash provided by operating activities	\$ 862,112	1,902,865

Noncash investing, capital and financing activities:

During fiscal year 2001-2002, there were no significant noncash investing, capital, or financing activities.

The notes to the financial statements are an integral part of this statement.

Notes to Financial Statements

Year ended June 30, 2002

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the City of Costa Mesa, California (City):

(a) <u>Description of Reporting Entity</u>

The City of Costa Mesa was incorporated on June 29, 1953 as a general law city under the Government Code of the State of California. The City operates under a Council-Manager form of government and the City Council is composed of five members. Among the services provided by the City are the following: public works, parks and recreation, planning, community development, fire, and law enforcement services.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the interfund data of the City. The following organizations are considered to be component units of the City:

Costa Mesa Redevelopment Agency

The Costa Mesa Redevelopment Agency (Agency) was established on January 17, 1972 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Costa Mesa. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Upon completion, separate financial statements of the Agency can be obtained at City Hall.

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(a) <u>Description of Reporting Entity, (Continued)</u>

Costa Mesa Public Financing Authority

The Costa Mesa Public Financing Authority (Authority) was established on August 20, 1990 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Upon completion, separate financial statements of the Authority can be obtained at City Hall.

Costa Mesa Community Facilities District No. 91-1

The Costa Mesa Community Facilities District No. 91-1 (District) was incorporated for the purpose of acquiring certain public facilities. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the District. Separate financial statements for the District are not prepared.

(b) <u>Fund Accounting</u>

The basic accounting and reporting entity is a "fund." A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The accounting records of the City are organized on the basis of funds and account groups classified for reporting purposes as follows:

Governmental Funds

General Fund

The general fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and other costs which are not paid through other funds.

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Fund Accounting, (Continued)

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are required by law or administrative action to be accounted for in a separate fund.

Debt Service Funds

The debt service funds are used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital Projects Funds

The capital projects funds are used to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by the proprietary funds).

Proprietary Funds

Internal Service Funds

The internal service funds are used to finance and account for activities involved in rendering services to departments within the City. Costs of materials and services used are accumulated in these funds and charged to the user departments as such goods are delivered or services rendered.

Fiduciary Funds

Trust and Agency Funds

The trust and agency funds are used to account for assets held by the City on behalf of other funds, governments, organizations or individuals.

Account Groups

General Fixed Assets Account Group

The general fixed assets account group is used to account for all fixed assets of the City, except for those accounted for in the proprietary funds.

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Fund Accounting, (Continued)

General Fixed Assets Account Group, (Continued)

Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed assets account group. Contributed fixed assets are recorded as general fixed assets at fair market value on the date received. Fixed assets acquired under a capital lease are recorded at the net present value of future lease payments. Interest accrued during construction of fixed assets is capitalized as part of the cost of the asset. No depreciation has been provided on general fixed assets.

Public domain (infrastructure) such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

General Long-Term Debt Account Group

The general long-term debt account group is used to account for all long-term debt of the City, except for that accounted for in the proprietary funds.

(c) Measurement Focus and Basis of Accounting

Governmental (general, special revenue, debt service and capital projects) fund types are accounted for on a "spending" measurement focus. Accordingly, only current assets and current liabilities are included on their balance sheets, except for land held for resale which is recorded as a current asset in the capital projects fund type. The reported fund balance provides an indication of available, spendable resources. Operating statements for governmental fund types report increases (revenues) and decreases (expenditures) in available spendable resources.

The proprietary (internal service) fund type is accounted for on an "income determination" or "cost of services" measurement focus. Accordingly, all assets and liabilities are included on the balance sheet, and the reported fund equity provides an indication of the economic net worth of the fund. Operating statements for proprietary funds report increases (revenues) and decreases (expenses) in total economic net worth.

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Measurement Focus and Basis of Accounting, (Continued)

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The modified accrual basis of accounting is followed by the governmental and agency funds. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred. Principal and interest on general long-term debt is recognized when due. Liabilities are considered current when they are normally expected to be liquidated with expendable available financial resources.

Property tax assessments are recognized as revenue in the fiscal year for which they are levied, providing they become available. Taxpayer-assessed taxes, other taxes, subventions, entitlements, reimbursement grant revenue and special assessments are recognized as revenue when they meet the "measurable" and "available" criteria under the modified accrual basis of accounting. Reimbursement grant revenues are recognized when the related expenditures are incurred. Grants received before the revenue recognition criteria has been met are reported as deferred revenue. Interest income is recorded when earned.

Licenses, permits, charges for services, and miscellaneous revenues are recorded as governmental fund revenues when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting is utilized by the proprietary funds. Revenues are recognized when they are earned and expenses are recorded when the related liability is incurred.

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(d) Budgetary Data

Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for the following funds for which annual budgets were not adopted:

Special Revenue Fund:
Bicycle and Pedestrian Facilities
Fire System Development Fees

Debt Service Fund: Financing Authority Debt Service

Capital Projects Fund: Parking Districts

The City Council adopts each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Interfunctional budget changes are approved by the City Manager. Expenditures may not legally exceed appropriations at the function level. During the year, several supplementary appropriations were made totaling \$5,629,852. At fiscal year-end all operating budget appropriations lapse.

(e) <u>Cash and Investments</u>

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(f) <u>Cash Equivalents</u>

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary fund's share in the cash and investment pool of the City of Costa Mesa.

(g) Advances to Other Funds

Long-term interfund advances are recorded as a receivable and as reserved fund balance by the advancing governmental fund.

(h) <u>Inventories</u>

Inventories of materials and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

(i) Land Held for Resale

Land held for resale represents land, structures and their related improvements that were acquired for resale in accordance with the objectives of the Redevelopment Plan for the Costa Mesa Downtown Redevelopment Project. These costs will be charged to current year expenditures when the related land and structures are sold. Land held for resale is valued at the lower of cost or market.

(j) <u>Fixed Assets - Proprietary Fund</u>

Fixed assets purchased by the proprietary fund are capitalized at cost. Contributed fixed assets are recorded at the fair market value on the date of contribution. Depreciation is charged as an expense against their operations. Depreciation is calculated over the estimated useful lives using the straight line method for all classes of fixed assets. The estimated useful lives of the assets are as follows:

Buildings 10-20 years Improvements 10-20 years Equipment 2-20 years

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(k) <u>Employee Leave Benefits</u>

Regular full-time City employees earn from 92 to 263.2 hours of vacation a year, depending upon their length of employment. Employees can carry forward vacation hours in excess of twice that earned in a calendar year upon approval of the department head as authorized by the City Manager. Upon termination, permanent employees are entitled to receive compensation at their current rate for all unused vacation up to and including the date of termination.

Employees having a regular or probationary appointment accrue sick leave credit at the rate of 20% of the standard average work week for each full month of continuous service. Employees may accumulate up to a maximum of 480 hours of sick leave credit in a primary sick leave bank. Upon reaching the maximum, the bi-weekly benefit of 3.69 hours is distributed as follows at the employee's option at 1/2 of the benefit: a) converted for credit at the current rate of pay toward payment of the individual's post-retirement medical funding plan; or b) paid at employee's current hourly base rate of pay; or c) converted into vacation hours. The remaining 1/2 benefit is placed in a secondary sick leave bank which may be used only in the event of a verified non-industrial disability which resulted in an absence of 60 consecutive calendar days. An amount of sick leave equal to the hours used from the primary bank for the said disability may be transferred from the secondary bank to the primary bank provided the transfer does not result in the primary bank having in excess of 480 hours. Upon either separation from the City with a minimum of 20 years continuous service or eligibility for retirement benefits, the employees receive pay at their current hourly rate for 1/2 of the sick leave in their primary bank.

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(l) <u>Encumbrances</u>

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the fund balance, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

(m) <u>Claims and Judgments</u>

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in an internal service fund which accounts for the City's self-insurance activities.

(n) Memorandum Only Totals

"Memorandum Only" captions on the combined financial statements identify totals which are presented for overview informational purposes only, and do not fairly present the financial position or the results of operations for the City of Costa Mesa as a whole in conformity with generally accepted accounting principles. Interfund transactions and balances have not been eliminated, therefore data in these columns do not present consolidated financial information.

(o) <u>Comparative Data</u>

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative fund-type data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Notes to Financial Statements

(Continued)

Cash and Investments <u>(2)</u>

Cash and investments held by the City at June 30, 2002 consisted of the following:

Cash and deposits:	
Imprest cash on hand	\$ 11,195
Demand deposits	(1,120,197)
Total cash and deposits	(1,109,002)
Investments:	
Costa Mesa Community Facilities District Bonds	2,353,800
Federal agency securities	60,532,230
Medium term notes	13,435,650
State Treasurer's Investment Pool	26,298,601
Deposits with parties other than financial institutions	223,491
Total investments	102,843,772
Total cash and investments held by the City	<u>\$ 101,734,770</u>
nd investments with fiscal agent at June 30, 2002 consisted o	f the following:

Cash and investments with fiscal agent at June 30, 2002 consisted of the following:

Federal agency securities	\$1,359,125
Mutual funds	3,225,511
Total cash and investments with fiscal agent	<u>\$4,584,636</u>

The City and its component units are generally authorized under the state statute and local resolutions to invest in U.S. Treasury bills, U.S. Treasury notes, federal agency securities, banker's acceptances, certificates of deposit, negotiable certificates of deposit, commercial paper, medium term notes, repurchase agreements, Local Agency Investment Fund of the State of California, Orange County Treasurer's Pool, asset-backed and mortgage-backed securities, and passbook savings account demand deposits.

Notes to Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

The City and its component units have also established guidelines for security purchases with investment limitations as follows: The City limits its investments to no more than 20% of its surplus funds in any one Federal Agency. Banker's acceptances may not exceed 40% of the City's surplus money nor exceed 270 days maturity. Negotiable certificates of deposits may not exceed 30% of the City's surplus money. Commercial paper may not exceed 270 days maturity nor exceed 30% of the City's surplus funds. Medium term corporate notes may not exceed 30% of the City's surplus funds. The City may not invest more than 25% of its surplus in Federal Government sponsored Agency issues. The City may not invest more than 10% of its surplus funds in reverse repurchase agreements, and must always match its maturities to the reinvestment. The City may not invest more than 35% of its surplus money with the Orange County Treasurer's Pool. Asset-backed and mortgage-backed securities may not exceed 20% of the City's surplus money.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Deposits of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized agent and subject to certain regulatory requirements under State law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. Category 3 also includes any uncollateralized deposits.

Deposits held by the City as of June 30, 2002 are classified in risk categories as follows:

Deposits held by City: Demand deposits	<u>1</u>	Category <u>2</u>	<u>3</u>	Bank <u>Balance</u>	Carrying <u>Amount</u>
	<u>\$100,000</u>	<u>189,461</u>		<u>289,461</u>	(1,120,197)
	<u>\$100,000</u>	<u>189,461</u>		<u>289,461</u>	(<u>1,120,197</u>)

Notes to Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured, registered or are held by the City or its agent (other than the institution through which the City purchased the securities) in the City's name. Investments held "in the City's name" include securities held in a separate custodial or fiduciary account and identified as owned by the City in the custodian's internal accounting records. Category 2 includes uninsured and unregistered securities which are held in the City's name by the counterparty's trust department or agent. Category 3 includes uninsured and unregistered securities which are held by the counterparty, or the counterparty's trust department or agent, but not in the City's name. The counterparty is the party that acts as the broker-dealer for the transaction. Category 3 also includes all securities held by the broker-dealer agent of the City (purchased on behalf of the City) regardless of whether or not the securities are being held in the City's name.

Investments held by the City:	1	Category 2	<u>3</u>	Carrying Amount
Costa Mesa Community	Ф. 2.252.000			2 252 000
Facilities District Bonds	\$ 2,353,800	-	-	2,353,800
Federal agency securities	60,532,230	-	-	60,532,230
Medium term notes	13,435,650	-	-	13,435,650
Investments held by fiscal agent Federal agency securities	<u>-</u> <u>\$76,321,680</u>		1,359,125 1,359,125	1,359,125 77,680,805
Investments held by City not sul Investment in State Treasurer's Deposits with parties other than	s Investment P	ool (LAIF)		26,298,601 223,491
Investments held by fiscal agent Investment in mutual funds	not subject to	categorizat	ion:	3,225,511
				\$107,428,408

Notes to Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's prorata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2002 are as follows:

<u>Fund</u>	Interfund Receivables	Interfund Payables
General Fund Special Revenue Funds:	\$988,715	-
HOME Program	33,698	195,135
Community Development	-	638,521
Narcotics Forfeiture	-	120,313
Low and Moderate Income Housing	-	56,062
Capital Projects Funds:		
Redevelopment Projects	-	11,163
Trust and Agency Fund:		
Airborne Law Enforcement		1,219
Total	<u>\$1,022,413</u>	1,022,413

Notes to Financial Statements

(Continued)

(4) Advances To and From Other Funds

Advances to and from other funds at June 30, 2002 are as follows:

<u>Fund</u>	Advances To	Advances From
General Fund	\$13,073,043	-
Special Revenue Funds: Community Development Low and Moderate Income Housing	200,000 953,019	- -
Debt Service Fund: Redevelopment Debt Service	-	953,019
General Long-Term Debt Account Group		13,273,043
Total	<u>\$14,226,062</u>	14,226,062

The terms for the significant advances reflected above are as follows:

The \$13,073,043 advance from the General Fund to the General Long-Term Debt Account Group represents a note between the General Fund and the Redevelopment Agency. Interest is stated at a rate of 8%. Repayment of the note is not expected in the forthcoming year. The remaining \$200,000 is a loan from the Community Development Block Grant to the Redevelopment Agency which bears an interest rate of 3% and likewise is not expected to be repaid in the forthcoming year.

The \$953,019 advance payable from the Redevelopment Debt Service Fund is due to the Low and Moderate Income Housing Fund. The amount due to the Low and Moderate Income Housing Fund has no stipulated repayment terms and no stated interest rate.

Notes to Financial Statements

(Continued)

(5) Operating Transfers In and Out

Operating transfers in and out for the year ended June 30, 2002 are as follows:

<u>Fund</u>	Operating Transfers In	Operating Transfers Out
General Fund	\$ 427,606	6,044,091
Special Revenue Funds: Special Gas Tax Community Development Supplemental Law Enforcement Narcotics Forfeiture Local Law Enforcement Block Grant	5,000 100,703 - 1,148,000 9,634	- 9,634 - -
Debt Service Funds: 1974 Open Space Bond Financing Authority Debt Service	2,638,536	17,269
Capital Projects Funds: Capital Outlay Measure "M" Construction Parking Districts Redevelopment Projects	2,222,131 - - -	100,000 2,295 70,279
Internal Service Fund: Equipment Replacement		308,042
Total	<u>\$6,551,610</u>	<u>6,551,610</u>

Notes to Financial Statements

(Continued)

(6) General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance at July 1, 2001	Additions	<u>Deletions</u>	Balance at June 30, 2002
Land Landscaping and sprinkler	\$28,949,103	-	-	28,949,103
improvements	9,293,736	_	(4,428)	9,289,308
Underground lines and storm drains	37,642	_	-	37,642
Buildings and structures	24,401,169	-	(6,084)	24,395,085
Automotive equipment	3,260,057	-	(607,679)	2,652,378
Office furniture	348,592	93,805	(36,476)	405,921
Office machines	6,316,670	985,018	(606,294)	6,695,394
Other equipment	7,096,199	870,216	(490,174)	7,476,241
Construction in progress	7,171,160	4,082,414	<u> </u>	11,253,574
	\$86,874,328	<u>6,031,453</u> (<u>1,751,135</u>)	91,154,646

(7) Proprietary Fund Fixed Assets

A summary of proprietary fund type fixed assets at June 30, 2002 follows:

	<u>Internal Service</u>
Automotive equipment Other equipment	\$6,954,127 <u>300,586</u>
Total	7,254,713
Less accumulated depreciation	(3,384,062)
Net fixed assets	<u>\$3,870,651</u>

Notes to Financial Statements

(Continued)

(8) Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002
Bonds: City General Obligation Redevelopment Agency 1993	\$ 720,000	-	(230,000)	490,000
Tax Allocation Refunding Bonds Public Financing Authority 1991	8,195,000	-	(305,000)	7,890,000
Lease Revenue Bonds Public Financing Authority 1993	2,565,000	-	(60,000)	2,505,000
Refunding Revenue Bonds Public Financing Authority 1998	15,730,000	-	(555,000)	15,175,000
Refunding Revenue Bonds	11,715,000		(755,000)	10,960,000
Total bonds payable	38,925,000		(<u>1,905,000</u>)	37,020,000
Loans: Triangle Square Joint Venture	637,248		(327,295)	309,953
Total loans payable	637,248		(327,295)	309,953
Capital leases: Copier Lease #16502 Municipal Finance Corp.	49,706	-	(49,706)	-
Lease #01-073-AF OCE Copier Lease	-	675,000 122,298		
Avaya Telephone Lease	403,337	<u> </u>	(63,224)	
Total capital leases payable	453,043	797,298	(152,961)	1,097,380
Employee leave benefits payable	4,395,922	467,474		4,863,396
Advances from other funds	13,201,892	71,151		13,273,043
Total	<u>\$57,613,105</u>	1,335,923	(<u>2,385,256</u>)	56,563,772

Notes to Financial Statements

(Continued)

(9) Bonds Payable

General Obligation Bonds

The City issued \$3,910,000 of 1974 Open Space Bonds as a general obligation of the City. The bonds are payable through annual principal installments ranging from \$50,000 to \$250,000, along with interest computed at 5.15%. The principal balance outstanding on the bonds at June 30, 2002 is \$490,000.

Costa Mesa Redevelopment Agency Bonds

On October 15, 1993, the Redevelopment Agency of the City of Costa Mesa issued \$9,955,000 Tax Allocation Refunding Bonds, Series 1993 to Advance Refund \$8,565,000 of outstanding 1987 Tax Allocation Bonds. A portion of the proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. Of the total issue, \$4,265,000 mature serially through October 1, 2007 and pay interest varying from 5.10% to 5.60%; \$5,690,000 are 5.625% term bonds due October 1, 2017 and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$440,000 to \$720,000 on October 1 beginning 2008 through 2017. The bonds are secured by the tax revenues. On February 1, 1996, the defeased 1987 bonds were called in full and no bonds remain outstanding as of June 30, 2002. The principal balance outstanding on the 1993 Refunding Bonds at June 30, 2002, is \$7,890,000.

The amount required for the bond reserve of the 1993 bonds is \$754,220. The bond resolutions and indentures require that the bond reserve be maintained in an amount which, together with other amounts on deposit in the reserve account, is equal to the maximum amount of principal and interest to be paid in any single future bond year. The City has \$759,793 on reserve with the fiscal agent at June 30, 2002.

Costa Mesa Public Financing Authority Bonds

The Costa Mesa Public Financing Authority issued \$3,225,000 of 1991 Lease Revenue Bonds on November 1, 1991, consisting of \$710,000 of serial bonds and \$2,515,000 (\$620,000 and \$1,895,000) of term bonds. The serial bonds mature from August 1, 1992 through August 1, 2005 in annual principal payments ranging from \$30,000 to \$80,000 and bear an interest rate of 6.90%. The term bonds mature on August 1, 2011 (\$620,000) and August 1, 2021 (\$1,895,000), with interest rates of 6.90% and 7.10%, respectively.

Notes to Financial Statements

(Continued)

(9) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

The bonds were issued to provide monies to enable the Authority to acquire on the delivery date of the Bonds, the City of Costa Mesa Community Facilities District 91-1 (Plaza Tower Public Improvements) 1991 Special Tax Bonds, issued under the Mello-Roos Community Facilities Act of 1982. The Bonds were issued in denominations of \$5,000. There is a reserve requirement of \$238,245 which is the maximum annual debt service requirement of the bond issue. The City has \$246,920 on reserve with the fiscal agent at June 30, 2002. The principal outstanding on the bonds as of June 30, 2002 is \$2,505,000. The special taxes collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten days of receipt. All required amounts were remitted in a timely manner.

On October 1, 1993, the Costa Mesa Public Financing Authority issued \$18,970,000 Refunding Revenue Bonds, Series 1993A to advance refund \$640,000 of outstanding 1966 Bonds and \$16,430,000 of outstanding 1988 Lease Revenue Bonds. A portion of the proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. During the year ended June 30, 1996, the 1966 defeased bonds were fully paid and as of June 30, 1999, \$15,215,000 of the defeased 1988 bonds remain outstanding. Of the total issue, \$8,520,000 mature serially through October 1, 2008 and pay interest varying from 4.80% to 5.20%; \$10,450,000 are 5.25% term bonds due October 1, 2018 and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$820,000 to \$1,300,000 on October 1 beginning 2009 through 2018. The bonds are secured by the lease payments required to be made to the Authority by the City.

The amount required for the bond reserve of the 1993A bonds is \$1,361,185. The bond resolutions and indentures require that the bond reserve be maintained in an amount which, together with other amounts on deposit in the reserve account, is equal to the maximum amount of principal and interest to be paid in any single future bond year. The City has \$1,371,406 on reserve with the fiscal agent at June 30, 2002. The principal balance outstanding on the bonds as of June 30, 2002 is \$15,175,000.

On May 1, 1998, the Costa Mesa Public Financing Authority issued \$13,715,000 of 1998 Refunding Revenue Bonds. The bonds mature serially from October 1, 1998 through October 1, 2012 in annual principal payments ranging from \$580,000 to \$1,250,000 and bear interest rates ranging from 4.00% to 5.00%. The bonds were issued in denominations of \$5,000. There is a reserve requirement of \$1,312,500 which is the maximum annual debt service requirement of the bond issue. At June 30, 2002, the City had \$1,438,817 on reserve with the fiscal agent. The principal balance outstanding on the bonds as on June 30, 2002 is \$10,960,000.

Notes to Financial Statements

(Continued)

(9) Bonds Payable, (Continued)

The Bonds were issued in connection with the lease and leaseback of the Los Lagos and Mesa Linda Golf Courses (the "Project") currently owned by the City of Costa Mesa (the "City"). The Project will be leased by the City to the Authority, and the Authority will lease back the Project to the City. The Authority used the proceeds from the issuance of these 1998 Refunding Revenue Bonds to advance refund \$12,665,000 of the Authority's outstanding 1990 Lease Revenue Bonds. The net proceeds of \$13,325,580 (after payment of \$389,420 in underwriting fees, and other issuance costs) plus an additional \$1,200,000 of 1990 Lease Revenue Bonds reserve fund monies were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series bonds. As a result, the 1990 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

(10) Loans Payable

The Costa Mesa Redevelopment Agency has an agreement with Triangle Square Joint Venture for the development and operation of a commercial complex. A replacement note in the principal amount of \$3,010,134 was issued on August 1, 1990, representing the amount of \$2,721,011 advanced by Triangle Square Associates and accrued interest through that date. Interest is compounded annually at the rate established by the Federal Reserve Bank, 11th District cost of funds plus 250 basis points, with the rate adjusted semi-annually. The replacement note is payable by the Redevelopment Agency over a 15 year period in the amount of the tax increment generated by this commercial complex. The principal balance outstanding on this note at June 30, 2002 is \$309,953.

Notes to Financial Statements

(Continued)

(11) Capital Leases Payable

On November 11, 1999, the City of Costa Mesa entered into a 7 year lease (lease no. X091520) for a telephone system. The obligations are due in monthly principal and interest payments of \$7,130. Interest is computed at a stated rate of 5.52%.

On July 16, 2001, the City of Costa Mesa entered into a 10 year lease agreement with the Municipal Finance Corporation to provide financing for the installation, retrofit and maintenance of HVAC and lighting system and the various City facilities. The lease provides a purchase option. The obligation is due in semi-annual principal and interest payments of \$43,095. Interest is computed at a stated rate of 4.90%.

In October 2001, the City of Costa Mesa entered into a 5 year lease agreement for a OCE Copier. The obligations are due in monthly principal and interest payments of \$2,548. Interest is computed at 8.9%.

Amount of future minimum lease payments required for years ending June 30:

	Avaya Telephone	Municipal Finance Corp.	OCE Copier	
	<u>Lease</u>	No. 01-073-AF	<u>Lease</u>	<u>Totals</u>
2003 2004 2005 2006 2007 2008 2009 2010	\$ 85,560 85,560 85,560 85,560 35,650	86,190 86,190 86,190 86,190 86,190 86,190 86,190	30,576 30,576 30,576 30,576 10,192	202,326 202,326 202,326 202,326 132,032 86,190 86,190 86,190
2010 2011 2012	- - -	86,190 43,095	- - -	86,190 43,095
Amount of future lease payment	377,890	818,805	132,496	1,329,191
Less amounts representing stated interest	g <u>(37,777</u>)	(170,363)	(23,671)	(231,811)
Present value of future lease payments	<u>\$340,113</u>	648,442	108,825	1,097,380

Notes to Financial Statements

(Continued)

(12) Debt Service to Maturity

The annual requirements to amortize bonds payable of the City as of June 30, 2002 are as follows (excluding loans payable and advances from other funds for which minimum annual payments have not been established):

			Financing Authority	Financing Authority	Financing Authority	
Year	City	Redevelopment	1991	1993	1998	
Ending	General	Agency-Tax	Lease	Refunding	Refunding	
June 30	Obligation	Allocation	Revenue	<u>Revenue</u>	Revenue	<u>Totals</u>
2003	\$ 265,725	749,932	259,748	1,354,305	1,279,644	3,909,354
2004	263,125	752,932	255,262	1,355,440	1,280,332	3,907,091
2005	-	749,685	260,433	1,354,495	1,283,997	3,648,610
2006	-	750,153	260,085	1,351,410	1,280,379	3,642,027
2007	-	749,165	259,392	1,350,995	1,284,314	3,643,866
2008	-	746,682	258,355	1,348,425	1,280,626	3,634,088
2009	-	747,687	261,800	1,348,905	1,283,364	3,641,756
2010	-	747,234	259,728	1,347,100	1,282,726	3,636,788
2011	-	745,375	262,137	1,347,869	1,279,402	3,634,783
2012	-	746,969	263,858	1,346,275	1,282,250	3,639,352
2013	-	742,016	259,930	1,347,187	1,281,250	3,630,383
2014	-	740,516	265,167	1,345,475	-	2,351,158
2015	-	742,188	264,518	1,341,138	-	2,347,844
2016	-	741,891	263,517	1,339,043	-	2,344,451
2017	-	739,625	265,910	1,338,931	-	2,344,466
2018	-	740,250	262,775	1,335,670	-	2,338,695
2019	-	-	263,753	1,334,125	-	1,597,878
2020	-	-	268,487	-	-	268,487
2021	-	-	266,980	-	-	266,980
2022			269,230			269,230
Total principal						
and interest	528,850	11,932,300	5,251,065	22,886,788	14,098,284	54,697,287
Less interest	(20.050)	(4.042.200)	(2.74(.0(5)	(7.711.700)	(2.120.204)	(17 (77 207)
payments	(38,850)	(4,042,300)	(<u>2,746,065</u>)	<u>(7,711,788</u>)	(3,138,284)	(17,677,287)
Outstanding	.		• • • • • • • • • • • • • • • • • • • •	1-1	10.000.000	2= 020 055
principal	<u>\$ 490,000</u>	7,890,000	<u>2,505,000</u>	<u>15,175,000</u>	<u>10,960,000</u>	<u>37,020,000</u>

Notes to Financial Statements

(Continued)

(13) Debt Without Government Commitment

The following issues of bonds and certificates of participation are not reflected in the General Long-Term Debt Account Group since they are obligations of private parties (with no government commitment) payable entirely from and secured by non-City resources as described in the bond resolutions and statements of the various issues:

On October 1, 1994, the Costa Mesa Redevelopment Agency issued \$3,500,000 of Variable Rate Demand Multi-Family Housing Revenue Bonds, 1994 Series A, to advance refund the 1984 Multi-Family Housing Revenue Bonds and to make a loan to the Costa Mesa Family Village (the Developer). The bonds were issued under and secured by an indenture of trust by and between the Agency and First Trust of California National Association as trustee. The Bonds were issued in denominations of \$100,000 and are due November 1, 2014. The outstanding balance at June 30, 2002 was \$3,300,000.

The City of Costa Mesa Community Facilities District No. 91-1, issued \$2,965,000 of District 91-1 Special Tax Bonds on November 1, 1991. All of the bonds were acquired by the Costa Mesa Public Financing Authority. The bonds mature from August 1, 1992 through August 1, 2021 in annual principal payments ranging from \$25,000 to \$265,000 and bear an interest rate of 8.30%. The bonds were issued to acquire certain improvements to the Anton/Bristol intersection, street improvements to Anton Boulevard and repay certain costs incurred by third parties with respect to the construction of the Metro Fire Station and the I-405 Access Study. The City is not liable for repayment of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings. The outstanding balance at June 30, 2002 was \$2,350,000.

In May 1997, the City issued \$11,815,000 Certificates of Participation (1997 Public Parking Refunding Project), consisting of \$9,765,000 of serial bonds and \$2,050,000 of term bonds. The serial bonds mature from December 1, 1997 through December 1, 2012 in annual principal payments ranging from \$85,000 to \$940,000 and bear an interest rate of 4.50% to 5.75%. The term bonds mature on December 1, 2014 and bear an interest rate of 5.80%. The certificates were issued to advance refund the remaining portion of the \$14,000,000 certificates of participation issued by the City in December 1984. The 1984 certificates were issued to finance the acquisition and construction of a public parking project at the Orange County Performing Arts Center. Both of these certificates are payable only from the assets of the Center Tower Associates, a California general partnership. The outstanding balance at June 30, 2002 was \$10,045,000.

Notes to Financial Statements

(Continued)

(14) Fund Balances

The City has established the following fund balance reserves and designations at June 30, 2002:

	General	Special Revenue	Debt <u>Service</u>	Capital <u>Projects</u>
Reserved for:		<u>=======</u>		<u>===,===</u>
Encumbrances	\$ 402,917	1,224,698	-	2,523,632
Advances to other funds	13,073,043	1,153,019	-	-
Inventories	20,150	-	_	-
Prepaid items	565,000	-	12,105	247,550
Retirement buyback receivable	152,511	-	-	-
Debt service	-	-	6,334,427	-
Land held for resale				1,697,665
Total reserved	14,213,621	2,377,717	6,346,532	4,468,847
Unreserved:				
Designated for capital outlay	1,255,276	8,332,230	-	12,066,339
Designated for cable TV				
program	1,015,452	-	-	-
Designated for working capital	14,125,000	-	-	-
Designated for workers'				
compensation claims	3,700,000	=	-	=
Designated for special projects	227,815	=	-	-
Designated for general				
liability claims	5,839,622	=	-	=
Designated for capital				
improvement projects	759,622	=	=	-
Undesignated	22,609,346	5,817,177	<u>(14,410</u>)	40,318
Total unreserved	49,532,133	14,149,407	(14,410)	12,106,657
Total fund balance	<u>\$63,745,754</u>	<u>16,527,124</u>	<u>6,332,122</u>	16,575,504

The following funds had deficits at June 30, 2002:

Special Revenue:

Community Development \$62,997 Narcotics Forfeiture \$62,580

Debt Service:

Redevelopment Debt Service 14,410

Notes to Financial Statements

(Continued)

(15) Changes in Contributed Capital

A summary of changes in contributed capital follows:

	Balance at July 1, 2001	Additions	<u>Deletions</u>	Balance at June 30, 2002
Internal Service Funds: Equipment Replacement	<u>\$610,779</u>			610,779

(16) Expenditures in Excess of Appropriations

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) are as follows at June 30, 2002:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund: Protection of persons and property	44,091,896	42,560,780	(1,531,116)
Special Revenue Fund: Traffic Impact Fees	4,987,725	3,512,350	(1,475,375)
Debt Service Fund: 1974 Open Space Bond Fund	269,136	266,400	(2,736)
Capital Project Funds: Capital Outlay Financing Authority Construction	3,837,009 206,632	1,017,280	(2,819,729) (206,632)

(17) Property Tax Calendar

Property tax revenues are reported on a modified accrual basis. Accordingly, they are recognized in the fiscal year for which the taxes have been levied, provided this accrual meets the available criteria. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County of Orange collects property taxes for the City tax liens attached annually as of 12:01 a.m. on the first day in March preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st. The second installment is due February 1st. All taxes are delinquent if not paid as of December 10th and April 10th, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent if not paid as of August 31st.

Notes to Financial Statements

(Continued)

(18) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer portions of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by third party administrators for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

(19) Joint Venture

The City is a participant with the County of Orange and other Orange County cities in a joint venture to provide for the purchase and financing of an 800 Megahertz Law Enforcement/Public Works/Fire Communications System (800 MHz system). The 800 MHz Joint Powers Authority (Authority) was created for this purpose. The Board of Directors consists of one representative from each City and two from the County, one being the Sheriff. Each member of the board of Directors has one vote with each of the two County members having six votes. The County is designated as responsible for the implementation and operation of the 800 MHz system. If termination occurs, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member on behalf of that member during its membership. The cost of the 800 MHz system will be borne proportionately by the Cities and County based upon an agreed-upon cost allocation method. The City's proportionate share of the net assets (equity) of this joint venture is not determinable. Audited data with respect to this joint venture are included in the financial statements of the County of Orange, which can be obtained from the Auditor-Controller's Office, 12 Civic Center Plaza, Santa Ana, California.

(20) Defined Benefit Pension Plan

The City of Costa Mesa contributed to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Notes to Financial Statements

(Continued)

(20) Defined Benefit Pension Plan, (Continued)

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. For the year ended June 30, 2002, employee contribution paid by the City was \$3,168,284. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. For the year ended June 30, 2002, the employer contribution rate was 11.884% for safety fire and 21.0488% for safety police and 0% for miscellaneous employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

Annual Pension Cost

For the year ended June 30, 2002, the City's annual pension cost (employer contribution) of \$1,881,527 for safety employees and \$1,286,757 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of an actuarial valuation performed as of June 30, 1999 using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period (smoothed market value). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan date of entry into PERS. Subsequent plan amendments are amortized as a level \% of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plans accrued liabilities exceeds the actuarial value of plan assets, then the amortization paymen ton the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Safety Employees

Three-Year Trend Information

Fiscal <u>Year</u>	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/00	\$1,670,420	100%	-
6/30/01	1,776,311	100%	-
6/30/02	1,881,527	100%	-

Notes to Financial Statements

(Continued)

(20) Defined Benefit Pension Plan, (Continued)

Required Supplementary Information (\$ amount in thousands)

Valuation <u>Date</u>	Entry Age Normal Accrued <u>Liability</u>	Actuarial Value of Assets	Unfunded Liability/ (Excess <u>Assets</u>)	Funded Status	Annual Covered <u>Payroll</u>	*UAAL As a % of <u>Payroll</u>
6/30/99	\$137,888	\$131,749	\$ 6,410	99.25%	\$17,489	32.2%
6/30/00	147,447	144,138	3,308	98.35%	18,621	9.8%
6/30/01	164,852	150,683	14,169	91.40%	19,942	15.8%

^{*}UAAL refers to unfunded actuarial accrued liability.

Miscellaneous Employees

Three-Year Trend Information

Fiscal <u>Year</u>	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/00	\$1,141,951	100%	-
6/30/01	1,191,883	100%	-
6/30/02	1,286,757	100%	-

Required Supplementary Information (\$ amount in thousands)

Valuation <u>Date</u>	Entry Age Normal Accrued <u>Liability</u>	Actuarial Value of Assets	Unfunded Liability/ (Excess <u>Assets</u>)	Funded <u>Status</u>	Annual Covered <u>Payroll</u>	*UAAL As a % of <u>Payroll</u>
6/30/99	\$68,101	\$ 88,783	\$(20,681)	130.4%	\$16,650	(124.2%)
6/30/00	74,370	98,700	(24,330)	132.7%	17,609	(138.2%)
6/30/01	81,571	102,813	(21,242)	126.0%	18,486	(114.9%)

Notes to Financial Statements

(Continued)

(21) Post-Employment Benefits

In addition to providing pension benefits, the City provides certain health care and life insurance benefits for retired employees. These benefits are provided under Council Policy No. 300-1 and the City's contractual agreement with the Costa Mesa City Employees Association, the Costa Mesa Police Association, and the Costa Mesa Firefighters Association, Inc. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year. As of June 30, 2002, approximately 193 retired employees were receiving benefits. The City pays up to 100% of these benefits, based upon the number of years of active service prior to retirement.

The City finances these post-employment benefits on a pay-as-you-go basis. For the year ended June 30, 2002, approximately \$418,431 of post-employment benefit expenditures were recognized.

(22) Reconciliation of Expenditures for Comparison with Annual Budgets

Budgets were not adopted for the following governmental funds for fiscal year 2001-2002: Bicycle and Pedestrian Facilities, Fire System Development Fees, Financing Authority Debt Service and Parking Districts. Accordingly, budget and actual comparisons for these funds' expenditures have not been included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types. The following schedule reconciles the actual data reported in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types with the actual data reported in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types:

	Special Revenue	Debt <u>Service</u>	Capital <u>Projects</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$2,941,099	112,794	1,240,254
Adjustments to exclude funds for which no budget was adopted: Bicycle and Pedestrian Facilities Fire System Development Fees Financing Authority Debt Service Parking Districts	(100,064)	(57,710)	- - - (519)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses (for budgetary comparison purposes only)	<u>\$2,841,035</u>	<u>55,084</u>	<u>1,239,735</u>

Notes to Financial Statements

(Continued)

(23) Risk Management

The City participates in the California Municipal Excess Liability ("CAMEL") Program. The membership of CAMEL consists of approximately 21 cities with similar interests and needs regarding liability insurance. Premiums are based upon the losses incurred. The Board of Directors set the premiums for each participant and each participant is represented on the Board. Premiums are based upon the losses incurred by each member and are not affected by losses incurred by other members.

In the Self-Insurance Workers' Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$10,737,660 for lawsuits and other claims arising in the ordinary course of business. The City is self-insured for the first \$500,000 of each claim arising for workers' compensation and has purchased outside insurance coverage in excess of the \$500,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$20,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage.

The City has estimated losses for claims and judgments and has established liabilities of \$5,798,179 for workers' compensation and \$4,939,481 for general liability. Losses for claims incurred but not reported are recorded when the probable amount of loss can be reasonably estimated. These amounts represent estimates of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2002 is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The City is contingently liable for additional losses not reported in the accompanying financial statements in the range of approximately \$100,000 to \$325,000 for which the likelihood of an unfavorable outcome is only reasonably possible, as determined by legal counsel.

Changes in claims payable for the past three fiscal years are as follows:

Fiscal Year	Beginning Balance	Claims Incurred and Changes in Estimates	Claim Payments	Ending Balance
1999-2000	\$8,636,836	1,544,498	(1,960,792)	8,220,542
2000-2001	8,220,542	3,957,499	(2,697,610)	9,480,431
2001-2002	9,480,431	4,826,399	(3,569,170)	10,737,660

Notes to Financial Statements

(Continued)

(24) Restatement of Beginning Fund Balances/Retained Earnings

During a review of all general ledger accounts, various adjustments were made to the beginning balances of certain accounts payable, and miscellaneous accounts. These adjustments resulted in a restatement of beginning fund balances and retained earnings. The following schedule summarizes the effects of the prior period adjustments upon beginning balances as of July 1, 2001:

	Governmental <u>Fund</u>	Proprietary <u>Fund</u> Internal
Fund balances/retained earnings at the beginning of the year, as previously	<u>General</u>	<u>Service</u>
reported	\$64,181,213	9,354,243
Adjustment of accounts payable	<u> 18,888</u>	25,660
Fund balances/retained earnings at beginning of the year, as restated	<u>\$64,200,101</u>	<u>9,379,903</u>

(25) Legal Issues Involving the State Gas Tax Fund

The City is in the process of resolving legal issues surrounding the City's charging of certain lease payments to the Gas Tax Fund with the California State Controller's Office (the SCO). During fiscal year 1997, the SCO conducted an audit of the Gas Tax Fund through fiscal year 1993. As a result of this audit, the SCO questioned costs in the amount of \$4,600,012 paid out of the Gas Tax Fund related to three bond issues. These payments were questioned due to the financing mechanism used when the debt was originally issued.

In 1997, the debt payments related to the three bond issued were transferred from the Gas Tax Fund to the General Fund pending resolution of the legal issues. As a result of these discussions, the City has transferred \$71,171 from the City's General Fund to the Gas Tax Fund to reimburse certain lease payments deemed an ineligible use of Gas Tax Revenues.

CITY OF COSTA MESA, CALIFORNIA

Notes to Financial Statements

(Continued)

(25) Legal Issues Involving the State Gas Tax Fund, (Continued)

Subsequent to June 30, 2001, the SCO has determined that 96% of one of the bond issues in question is Gas Tax eligible. 96% of the debt service payments made on this bond issue out of the General Fund from fiscal year 1998 through fiscal year 2001 totaled \$5,217,654. The SCO has agreed to allow the City to fully offset eligible Gas Tax expenditures paid out of the General Fund against the \$4,600,102 in Gas Tax Fund expenditures deemed ineligible in the previous SCO Gas Tax audits. The SCO has also agreed to allow the City to amend the defective lease agreement to provide additional collateral on the lease that would enable the City to charge future payments on the three bond issues to the Gas Tax Fund as eligible expenditures.



Supplementary Information

(Combining and Individual Fund and Account Group Statements and Schedules)

General Fund

GENERAL FUND
The General Fund is used to account for all of the general revenues of the City not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the City. The General Fund is used to account for all resources not required to be accounted for in another fund.

Comparative Balance Sheets

June 30, 2002 and 2001

•	2002	2001
<u>Assets</u>		
Cash and investments Due from other governments Accounts receivable Interest receivable Due from other funds Advances to other funds Inventories Prepaid items	\$ 45,926,944 7,349,953 983,377 1,280,629 988,715 13,073,043 20,150 565,000	45,170,512 7,840,701 1,090,704 1,219,165 1,302,976 13,849,892 20,926 458,938
Total assets	\$ 70,187,811	70,953,814
<u>Liabilities and Fund Balances</u>		
Liabilities: Accounts payable Accrued liabilities Retention payable Deposits payable Due to other funds Deferred revenue	\$ 1,063,315 1,282,955 11,096 3,722,758 361,933	932,255 1,104,760 11,663 3,712,072 591,208 420,643
Total liabilities	6,442,057	6,772,601
Fund balances: Reserved for:	400.045	
Encumbrances Advances to other funds Inventories Prepaid items Retirement buyback receivable	402,917 13,073,043 20,150 565,000 152,511	336,171 13,849,892 20,926 458,938 152,511
Unreserved: Designated for capital outlay Designated for cable TV program Designated for working capital Designated for workers' compensation claims Designated for special projects Designated for general liability claims Designated for capital improvement projects Undesignated	1,255,276 1,015,452 14,125,000 3,700,000 227,815 5,839,622 759,622 22,609,346	4,481,278 1,015,452 14,125,000 3,700,000 227,815 5,839,622 759,385 19,214,223
Total fund balances	63,745,754	64,181,213
Total liabilities and fund balances	\$ 70,187,811	70,953,814

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances

For the fiscal years ended June 30, 2002 and 2001

	2002	2001
Revenues: Taxes:		
Sales tax	\$ 34,460,553 13,899,162	36,117,542
Property tax Transient occupancy tax	3,865,823	13,042,132 4,856,772
Franchise tax	2,366,926	2,132,795
Business license tax	842,838	794,196
Total taxes	55,435,302	56,943,437
Licenses and permits	1,516,212	2,268,689
Fines and forfeits	1,919,652	1,707,860
Investment income	3,993,787	5,037,222
Intergovernmental:		
Motor vehicle in-lieu	6,194,537	5,665,273
Grants and other reimbursements	2,194,672	1,903,498
Total intergovernmental	8,389,209	7,568,771
Charges for services	2,106,416	2,141,481
Rental	2,573,044	2,432,256
Miscellaneous	752,149	246,436
Total revenues	76,685,771	78,346,152
Expenditures:		
Current: General government:		
Non-departmental	<u>-</u>	82,219
Representation	331,902	196,133
Policy formulation and implementation	615,579	563,554
Legal services	828,346	773,445
City clerk	333,800	292,496
Financial services	1,770,846	1,638,814
Personnel services	1,941,309	1,668,240
Computer services	1,647,091	1,788,463
Central services Facilities and equipment maintenance	359,582 7,341,651	354,302 6,920,061
Communications	2,721,482	2,707,421
Total general government	17,891,588	16,985,148
		(Continued)

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances

For the fiscal years ended June 30, 2002 and 2001

<u>.</u>	2002	2001
Protection of persons and property:	25.061.552	25.050.450
Police protection	27,061,553	25,070,470
Fire protection Other public safety services	14,936,783 2,093,560	13,732,543 1,906,768
Other public safety services	2,093,300	1,900,708
Total protection of persons and property	44,091,896	40,709,781
Community programs:		
Beautification	-	3,603
Sanitation	877,621	774,236
Planning	1,279,079	1,348,562
Community recreation	2,907,647	2,511,532
Total community programs	5,064,347	4,637,933
Transportation:		
Traveled ways	2,832,886	2,715,859
Traffic safety	1,765,214	1,704,558
Total transportation	4,598,100	4,420,417
Total expenditures	71,645,931	66,753,279
Excess (deficiency) of revenues		
over (under) expenditures	5,039,840	11,592,873
Other financing governog (vgag):		
Other financing sources (uses): Operating transfers in	427,606	468,835
Operating transfers out	(6,044,091)	(8,503,925)
Lease proceeds	122,298	495,874
Total other financing sources (uses)	(5,494,187)	(7,539,216)
• • • • • • • • • • • • • • • • • • • •	(3,474,107)	(7,337,210)
Excess (deficiency) of revenues and		
other sources over (under)		
expenditures and other uses	(454,347)	4,053,657
Fund balance at beginning of year, as restated	64,200,101	60,127,556
Fund balance at end of year	\$ 63,745,754	64,181,213

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:		_	
Taxes: Sales tax Property tax Transient occupancy tax Franchise tax Business license tax	34,100,000 13,438,120 4,141,000 1,903,400 842,500	34,460,553 13,899,162 3,865,823 2,366,926 842,838	360,553 461,042 (275,177) 463,526 338
Total taxes	54,425,020	55,435,302	1,010,282
			
Licenses and permits	2,517,300	1,516,212	(1,001,088)
Fines and forfeits	1,308,800	1,919,652	610,852
Investment income	3,490,000	3,993,787	503,787
Intergovernmental: Motor vehicle in-lieu Grants and other reimbursements	5,625,600 1,489,388	6,194,537 2,194,672	568,937 705,284
Total intergovernmental	7,114,988	8,389,209	1,274,221
Charges for services	2,053,189	2,106,416	53,227
Rental	2,446,000	2,573,044	127,044
Miscellaneous	546,458	752,149	205,691
Total revenues	73,901,755	76,685,771	2,784,016
Expenditures: Current: General government: Representation	433,790	331,902	101,888
Policy formulation and implementation	568,470	615,579	(47,109)
Legal services	897,422	828,346	69,076
City clerk Financial services	443,644 2,068,762	333,800 1,770,846	109,844 297,916
Personnel services	1,868,132	1,941,309	(73,177)
Computer services	1,944,742	1,647,091	297,651
Central services	512,822	359,582	153,240
Facilities and equipment maintenance	7,864,463	7,341,651	522,812
Communications	2,918,689	2,721,482	197,207
Total general government	19,520,936	17,891,588	1,629,348
			(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	Budget	Actual	Variance - Favorable (Unfavorable)
Protection of persons and property:			
Police protection	26,264,438	27,061,553	(797,115)
Fire protection	14,121,187	14,936,783	(815,596)
Other public safety services	2,175,155	2,093,560	81,595
Total protection of persons and property	42,560,780	44,091,896	(1,531,116)
Community programs:			
Beautification	13,411	-	13,411
Sanitation	1,087,510	877,621	209,889
Planning	1,464,171	1,279,079	185,092
Community recreation	3,303,549	2,907,647	395,902
Total community programs	5,868,641	5,064,347	804,294
Transportation:			
Traveled ways	3,135,052	2,832,886	302,166
Traffic safety	1,890,466	1,765,214	125,252
Total transportation	5,025,518	4,598,100	427,418
Total expenditures	72,975,875	71,645,931	1,329,944
Excess (deficiency) of revenues			
over (under) expenditures	925,880	5,039,840	4,113,960
Other financing sources (uses):			
Operating transfers in	-	427,606	427,606
Operating transfers out	(5,437,767)	(6,044,091)	(606,324)
Lease proceeds		122,298	122,298
Total other financing sources (uses)	(5,437,767)	(5,494,187)	(56,420)
Excess (deficiency) of revenues and			
other sources over (under)	(4.514.00=)	(151315)	40===10
expenditures and other uses	(4,511,887)	(454,347)	4,057,540
Fund balance at beginning of year, as restated	64,200,101	64,200,101	
Fund balance at end of year	59,688,214	63,745,754	4,057,540

Special Revenue Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenue derived from specific taxes or other earmarked revenues sources (other than expendable trust or for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Special Gas Tax Fund

Established to account for the receipt and disbursement of funds used for construction and maintenance of the road network system of the City. Financing is provided by the City's share of State gasoline taxes.

Proposition 172 Fund

Established to account for the receipt and disbursement of voter-approved one-half cent permanent increase in the state sales tax in November 1993. These revenues must be expended for public safety purposes.

Air Quality Improvement fund

Established to account for the City's share of funds received under Health & Safety Code 44223 (AB 2766) to finance mobile source air pollution reduction programs consistent with the California Clean Air Act of 1988.

Home Program Fund

Established to account for the receipt and disbursement of funds received under the Federal Home Investment Partnership Program of the Department of Housing and Urban Development. These revenues must be expended for acquisition, rehabilitation, and new construction of rental housing.

Community Development Fund

This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues must be expended to accomplish one of the following objectives: elimination of slum or blight of benefit to low and moderate income persons, or to meet certain urgent community development needs.

Park Development Fees Fund

Established to account for the construction and maintenance of the City's drainage system. Financing is provided by fees charged to residential and commercial developers.

Drainage Fees Fund

Established to account or the construction and maintenance of the City's drainage system. Financing is provided by fees charged to residential and commercial developers.

Bicycle and Pedestrian Facilities Fund

Established to account for the construction of bicycle and pedestrian facilities. Financing is provided by the Transportation Development Act.

Supplemental Law Enforcement Services Fund (SLESF)

Established to account for the receipt and disbursement of funds received under the State Citizen's option for Public Safety (COPS) Program allocated pursuant to Government Code Section 30061 enacted by Assembly Bill 3229, Chapter 134 of the 1996 Statutes. These COPS/SLESF funds are allocated based on population and can only be spent for "front line municipal police services" as per Government Code Section 30061(c)(2).

Traffic Impact Fees Fund

Established to account for the receipt and disbursement of funds for off-site transportation improvements Citywide. Financing is provided by fees charged to residential and commercial developers.

Rental Rehabilitation Program Fund

Established to account for revenues received from the Department of Housing and Urban Development under Section 17 of the U.S. Housing Act of 1937. These revenues must be expended to provide assistance to rehabilitate primarily privately-owned residential rental property.

Narcotics Forfeiture Fund

Established to account for receipt and disbursement of narcotic forfeitures received from County, State and Federal agencies pursuant to Section 11470 of State Health and Safety Code and Federal Statute 21USC Section 881.

Fire System Development Fees

Established to account for receipt and disbursement of the development impact fees established by Ordinance 89-1 for future construction of fire protection facilities and equipment for north Costa Mesa.

Low and Moderate Income Housing Fund

Established per Section 33334.3 of the Health and Safety Code to account for 20% of tax increment received by the Costa Mesa Redevelopment Agency which is to be expended for the purpose of increasing, improving, and preserving the low-and moderate-income housing available at affordable housing costs to persons and families of low or moderate income and to very low income households.

Local Law Enforcement Block Grant Fund

Established to account for Federal grant monies provided by the 1998 Appropriations Act, Public Law 105-119. Funds are restricted for projects utilized to reduce crime and improve public safety.

CITY OF COSTA MESA, CALIFORNIA Special Revenue Funds

Combining Balance Sheet

June 30, 2002

	Special Gas Tax	Proposition 172	Air Quality Improvement	HOME Program	Community Development	Park Development Fees	Drainage I Fees
<u>Assets</u>							
Cash and investments	\$8,378,929	1,601,062	447,130	-	-	1,009,926	273,665
Due from other governments	23,985	125,000	33,962	227,503	726,651	-	-
Accounts receivable	-	-	-	164	-	-	-
Interest receivable	48,377	9,286	2,582	1 267 906	901 209	5,832	1,580
Loans receivable Due from other funds	<u>-</u>	-	-	1,267,806 33,698	801,298	-	-
Advances to other funds				-	200,000	<u>-</u> _	
Total assets	\$8,451,291	1,735,348	483,674	1,529,171	1,727,949	1,015,758	275,245
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 586,477	-	-	10,176	42,617	11,501	-
Accrued liabilities	-	6,765	-	6,035	26,684	-	-
Retentions payable	193,107	-	-	-	64,558	-	-
Due to other funds Advances from other funds	-	-	-	195,135	638,521	-	-
Deferred revenue	-	-	- -	1,267,806	1,018,566	- -	- -
Total liabilities	779,584	6,765		1,479,152	1,790,946	11,501	
Fund balances (deficits): Reserved:							
Encumbrances	956,674	-	80,131	-	-	24,392	-
Advances to other funds	-	-	-	-	200,000	-	-
Unreserved: Designated for capital outlay	6 715 022		403,543			979,865	
Undesignated Undesignated	6,715,033	1,728,583	403,343	50,019	(262,997)	9/9,863	275,245
Ondongnated		1,720,505		20,017	(202,777)		210,270
Total fund balances (deficits)	7,671,707	1,728,583	483,674	50,019	(62,997)	1,004,257	275,245
Total liabilities and fund							
balances	\$8,451,291	1,735,348	483,674	1,529,171	1,727,949	1,015,758	275,245

Bicycle	Supplemental					Low and	Local Law		
and	Law		Rental		Fire System	Moderate	Enforcement		
Pedestrian	Enforcement	Traffic	Rehabilitation	Narcotics	Development	Income	Block	To	tals
Facilities	Services	Impact Fees	Program	Forfeiture	Fees	Housing	Grant	2002	2001
1.006	106 706	2 121 220	125.017		00.400	660.700	60.006	16.004.064	17 (42 024
1,086	426,736	3,131,320	135,817	-	99,489	660,798	68,906	16,234,864	17,643,034
-	-	12 000	-	54,605		-	-	1,191,706	1,183,774
-	- 2.477	12,000	704	-	575	- - 074	200	12,164	84,609
-	2,477	18,082	784	-	575	5,874	398	95,847	226,794
-	-	-	168,089	-		1,317,660	-	3,554,853	4,176,113
-	-	-	-	-		052.010	-	33,698	1 107 227
						953,019		1,153,019	1,196,337
1,086	429,213	3,161,402	304,690	54,605	100,064	2,937,351	69,304	22,276,151	24,510,661
_	_	-	_	3,813	-	2,984	-	657,568	485,923
-	2,977	-	-	9,059	-	24	98	51,642	121,438
_	-	-	_	-	-	-	-	257,665	60,431
_	_	-	_	120,313	-	56,062	-	1,010,031	1,300,369
-	_	-	-	-	-	-	-	-	848,000
			168,089	-		1,317,660		3,772,121	8,108,475
	2 077		1 (0 000	122 105		1.056.500	0.0	5.740.027	10.004.606
	2,977		168,089	133,185		1,376,730	98	5,749,027	10,924,636
-	_	161,526	-	-		-	1,975	1,224,698	1,235,723
-	-	-	-	-		953,019	-	1,153,019	1,196,337
		106140			47.640			0.222.220	6.204.052
1.006	406.006	186,149	126 601	(70.500)	47,640	-	(7.221	8,332,230	6,384,052
1,086	426,236	2,813,727	136,601	(78,580)	52,424	607,602	67,231	5,817,177	4,769,913
1,086	426,236	3,161,402	136,601	(78,580)	100,064	1,560,621	69,206	16,527,124	13,586,025
				(, ,		-,,	- , ,
1,086	429,213	3,161,402	304,690	54,605	100,064	2,937,351	69,304	22,276,151	24,510,661

CITY OF COSTA MESA, CALIFORNIA Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	Special Gas Tax	Proposition 172	Air Quality Improvement	HOME Program	Community Development	Park Development Fees	Drainage I Fees
Revenues:							
Taxes	\$ -	718,227	-	-	-	-	-
Fines and forfeits	-	-	-	-	41,953	-	-
Intergovernmental	2,371,510	-	125,816	788,451	1,541,287	-	-
Charges for services	-	-	-	-	-	21,926	8,259
Special assessments	-	-	-	-	-	-	-
Rental	-	-	-	-	-	-	-
Investment income	419,147	74,531	21,127	200	1,871	50,448	13,443
Miscellaneous			. <u> </u>	25,000	3,525		
Total revenues	2,790,657	792,758	146,943	813,651	1,588,636	72,374	21,702
Expenditures: Current:					4.77.000		
General government	-	-	-	-	1,756,999	-	-
Protection of persons		2=1.100					
and property	-	374,488	-	- 1.005.165	-	-	-
Community programs	-	-	40.005	1,087,167	-	43,985	-
Transportation	2,106,812	-	48,087	-	-	-	-
Redevelopment				-			
Total expenditures	2,106,812	374,488	48,087	1,087,167	1,756,999	43,985	
Excess (deficiency) of revenues	,						
over (under) expenditures	683,845	418,270	98,856	(273,516)	(168,363)	28,389	21,702
Other financing sources (uses): Operating transfers in	5,000	_	-	_	100,703	_	<u>-</u>
Operating transfers out	, -	_	_	_	-	-	_
Sale of land held	-	-	-	_	-	-	-
Total other financing sources (uses)	5,000			-	100,703		
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses		418,270	98,856	(273,516)	(67,660)	28,389	21,702
Fund balance (deficit) at beginning of year	6,982,862	1,310,313	384,818	323,535	4,663	975,868	253,543
Fund balance (deficit) at end of year	\$7,671,707	1,728,583	483,674	50,019	(62,997)	1,004,257	275,245

-	Supplemental					Low and	Local Law		
and	Law	T CC -	Rental	N4:	Fire System	Moderate	Enforcement	Т-4	-1-
	Enforcement	Traffic Impact Fees	Rehabilitation	Narcotics Forfeiture	Development Fees	Income	Block	2002 Tot	
Facilities	Services	impact rees	Program	Forietture	rees	Housing	Grant	2002	2001
_	_	_	_	_	_	527,191	_	1,245,418	1,239,933
_	_	_	_	184,026	_	-	_	225,979	179,815
_	221,999	5,658,752	_	51,493	_	_	67,586	10,826,894	9,220,209
-	-	-	_	-	96,410	-	-	126,595	520,379
-	-	-	-	-	, -	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	24,024	219,768	6,781	-	3,654	21,631	2,883	859,508	1,423,412
			. <u> </u>			129,568		158,093	121,035
	246,023	5,878,520	6,781	235,519	100,064	678,390	70,469	13,442,487	12,704,783
- - - - - -	192,202 - - 192,202 53,821	4,987,725 4,987,725 890,795	6,781	205,412 205,412 30,107	100,064	- - - 863,071 863,071 (184,681)	89,143 	1,756,999 861,245 1,131,152 7,142,624 863,071 11,755,091 1,687,396	3,035,296 974,455 976,697 1,282,456 358,282 6,627,186
- -	(9,634)	- -	- -	1,148,000	- -	-	9,634	1,263,337 (9,634)	263,913 (416,582)
			· -			-	· — -		445,000
	(9,634)		·	1,148,000		-	9,634	1,253,703	292,331
-	44,187	890,795	6,781	1,178,107	100,064	(184,681)	(9,040)	2,941,099	6,369,928
1,086	382,049	2,270,607	129,820	(1,256,687)	<u> </u>	1,745,302	78,246	13,586,025	7,216,097
1 004	126 226	3 161 402	126 601	(70 500)	100 064	1 560 621	60.206	16 527 124	13 586 025
1,086	426,236	3,161,402	136,601	(78,580)	100,064	1,560,621	69,206	16,527,124	13,586,025

CITY OF COSTA MESA, CALIFORNIA Special Gas Tax Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ -	-	-
Fines and forfeits	-	-	-
Intergovernmental	2,067,000	2,371,510	304,510
Charges for services	-	-	-
Special assessments	-	-	-
Rental	-	410.147	100.147
Investment income	230,000	419,147	189,147
Miscellaneous			
Total revenues	2,297,000	2,790,657	493,657
Expenditures:			
Current:			
General government	-	-	-
Protection of persons and property	-	-	-
Community programs	-	2 106 012	-
Transportation	2,744,851	2,106,812	638,039
Total expenditures	2,744,851	2,106,812	638,039
Excess (deficiency) of revenues			
over (under) expenditures	(447,851)	683,845	1,131,696
Other financing sources (uses):			
Operating transfers in	5,000	5,000	-
Operating transfers out	-	-	-
Sale of land			
Total other financing sources (uses)	5,000	5,000	
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	(442,851)	688,845	1,131,696
Fund balance at beginning of year	6,982,862	6,982,862	
Fund balance at end of year	\$ 6,540,011	7,671,707	1,131,696

CITY OF COSTA MESA, CALIFORNIA Proposition 172 Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

				Variance - Favorable
	-	Budget	Actual	(Unfavorable)
Revenues:				
Taxes	\$	644,000	718,227	74,227
Fines and forfeits		-	-	-
Intergovernmental Charges for services		-	-	-
Special assessments		_	_	_
Rental		_	_	_
Investment income		54,900	74,531	19,631
Miscellaneous		<u>-</u>	<u> </u>	
Total revenues		698,900	792,758	93,858
Expenditures:				
Current:				
General government		-	-	157 160
Protection of persons and property		531,650	374,488	157,162
Community programs Transportation		-	-	-
Transportation				
Total expenditures		531,650	374,488	157,162
Excess (deficiency) of revenues				
over (under) expenditures		167,250	418,270	251,020
Other financing sources (uses):				
Operating transfers in		-	-	-
Operating transfers out Sale of land		-	-	-
Sale of failu		<u> </u>		
Total other financing sources (uses)				
Excess (deficiency) of revenues and other sources over (under)				
expenditures and other uses		167,250	418,270	251,020
Fund balance at beginning of year		1,310,313	1,310,313	
Fund balance at end of year	\$	1,477,563	1,728,583	251,020

CITY OF COSTA MESA, CALIFORNIA Air Quality Improvement Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:			
Taxes	\$ -	-	-
Fines and forfeits	-	-	-
Intergovernmental	116,500	125,816	9,316
Charges for services	-	-	-
Special assessments	-	-	-
Rental	-	-	-
Investment income	14,800	21,127	6,327
Miscellaneous			
Total revenues	131,300	146,943	15,643
Expenditures:			
Current:			
General government	-	-	-
Protection of persons and property	-	-	-
Community programs	-	-	-
Transportation	165,020	48,087	116,933
Total expenditures	165,020	48,087	116,933
Excess (deficiency) of revenues			
over (under) expenditures	(33,720)	98,856	132,576
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Sale of land			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other sources over (under)	(22.72)		450 550
expenditures and other uses	(33,720)	98,856	132,576
Fund balance at beginning of year	384,818	384,818	
Fund balance at end of year	\$ 351,098	483,674	132,576

CITY OF COSTA MESA, CALIFORNIA HOME Program Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

				Variance - Favorable
	Buc	lget	Actual	(Unfavorable)
Revenues:		<u> </u>		
Taxes	\$	-	-	-
Fines and forfeits		-	-	-
Intergovernmental	70	07,800	788,451	80,651
Charges for services		-	-	-
Special assessments		-	-	-
Rental		-	-	-
Investment income		-	200	200
Miscellaneous		<u> </u>	25,000	25,000
Total revenues	7(07,800	813,651	105,851
Expenditures:				
Current:				
General government		-	-	-
Protection of persons and property		-	-	-
Community programs	1,60	07,800	1,087,167	520,633
Transportation			-	
Total expenditures	1,60	07,800	1,087,167	520,633
Excess (deficiency) of revenues				
over (under) expenditures	(90	00,000)	(273,516)	626,484
Other financing sources (uses):				
Operating transfers in		-	-	-
Operating transfers out		-	-	-
Sale of land		<u> </u>	-	<u>-</u>
Total other financing sources (uses)		<u> </u>	-	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(9)	00,000)	(273,516)	626,484
expenditures und outer uses	()(,,	(275,510)	020, 104
Fund balance at beginning of year	32	23,535	323,535	<u> </u>
Fund balance (deficit) at end of year	\$ (57)	76,465)	50,019	626,484

CITY OF COSTA MESA, CALIFORNIA Community Development Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:	Buaget		(Cinavorable)
Taxes	\$ -	-	-
Fines and forfeits	-	41,953	41,953
Intergovernmental	1,427,000	1,541,287	114,287
Charges for services	-	-	-
Special assessments	-	-	-
Rental	-	-	-
Investment income	-	1,871	1,871
Miscellaneous		3,525	3,525
Total revenues	1,427,000	1,588,636	161,636
Expenditures:			
Current:			
General government	2,026,947	1,756,999	269,948
Protection of persons and property	-	-	-
Community programs	-	-	-
Transportation			
Total expenditures	2,026,947	1,756,999	269,948
Excess (deficiency) of revenues			
over (under) expenditures	(599,947)	(168,363)	431,584
Other financing sources (uses):		100 500	100 502
Operating transfers in	-	100,703	100,703
Operating transfers out Sale of land	-	-	-
Sale of faild	-		
Total other financing sources (uses)		100,703	100,703
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	(599,947)	(67,660)	532,287
Fund balance at beginning of year	4,663	4,663	
Fund balance (deficit) at end of year	\$ (595,284)	(62,997)	532,287

CITY OF COSTA MESA, CALIFORNIA Park Development Fees Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	D 1 4	1	Variance - Favorable
Revenues:	Budget	Actual	(Unfavorable)
Taxes	\$ -	_	_
Fines and forfeits	Ψ -	_	_
Intergovernmental	1,477,380	-	(1,477,380)
Charges for services	150,000	21,926	(128,074)
Special assessments	-	-	-
Rental	-	-	-
Investment income	43,000	50,448	7,448
Miscellaneous			
Total revenues	1,670,380	72,374	(1,598,006)
Expenditures:			
Current:			
General government	-	-	-
Protection of persons and property	-	-	-
Community programs	986,180	43,985	942,195
Transportation			
Total expenditures	986,180	43,985	942,195
Excess (deficiency) of revenues			
over (under) expenditures	684,200	28,389	(655,811)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Sale of land			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	684,200	28,389	(655,811)
Fund balance at beginning of year	975,868	975,868	
Fund balance at end of year	\$ 1,660,068	1,004,257	(655,811)

CITY OF COSTA MESA, CALIFORNIA Drainage Fees Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Revenues: Budget Actual (Unfavorable) Taxes \$ Fines and forfeits Intergovernmental Charges for services 50,000 8,259 (41,741) Special assessments Rental Investment income 12,300 13,443 1,143 Miscellaneous Total revenues 62,300 21,702 (40,598) Expenditures: Current: <th></th> <th></th> <th></th> <th>Variance - Favorable</th>				Variance - Favorable
Taxes \$ - - - Fines and forfeits - - - Intergovernmental - - - Charges for services 50,000 8,259 (41,741) Special assessments - - - Rental - - - Investment income 12,300 13,443 1,143 Miscellaneous - - - Total revenues 62,300 21,702 (40,598) Expenditures: Current: - - - General government - - - - Protection of persons and property - - - - Community programs - - - - Total expenditures - - - - Excess (deficiency) of revenues over (under) expenditures 62,300 21,702 (40,598) Other financing sources (uses) - - - - Total other fin		Budget	Actual	(Unfavorable)
Fines and forfeits - - - Intergovernmental - - - Charges for services 50,000 8,259 (41,741) Special assessments - - - Rental - - - Investment income 12,300 13,443 1,143 Miscellaneous - - - Total revenues 62,300 21,702 (40,598) Expenditures: Current: - - - General government - - - - Protection of persons and property - - - - Community programs - - - - Transportation - - - - Excess (deficiency) of revenues - - - - Excess (deficiency) of revenues 62,300 21,702 (40,598) Other financing sources (uses): - - - - O		Ф		
Intergovernmental		\$ -	-	-
Charges for services 50,000 8,259 (41,741) Special assessments - - - Rental - - - Investment income 12,300 13,443 1,143 Miscellaneous - - - Total revenues 62,300 21,702 (40,598) Expenditures: Current: - - - General government - - - - Protection of persons and property - - - - Community programs - - - - Transportation - - - - Excess (deficiency) of revenues over (under) expenditures 62,300 21,702 (40,598) Other financing sources (uses): - - - Operating transfers out - - - Sale of land - - - Total other financing sources (uses) - - - Excess (-	_	-
Special assessments -	<u> </u>	- -	9.250	(41.741)
Rental	_	50,000	8,259	(41,/41)
Investment income 12,300 13,443 1,143 Miscellaneous - - - Total revenues 62,300 21,702 (40,598) Expenditures: Current: General government - - - Protection of persons and property - - - Community programs - - - Transportation - - - Total expenditures - - - Excess (deficiency) of revenues over (under) expenditures 62,300 21,702 (40,598) Other financing sources (uses): - - Operating transfers out - - Sale of land - - Total other financing sources (uses) - - Excess (deficiency) of revenues and other sources over (under) expenditures 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 253,543 -		-	-	-
Miscellaneous - <		12 200	12 442	1 142
Total revenues 62,300 21,702 (40,598)		12,300	13,443	1,143
Expenditures: Current: General government Protection of persons and property Community programs Transportation Total expenditures Excess (deficiency) of revenues over (under) expenditures Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues of land Excess (deficiency) of revenues over (under) expenditures Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 253,543 -	Miscellaneous			
Current: General government Protection of persons and property Community programs Transportation Total expenditures Excess (deficiency) of revenues over (under) expenditures Operating transfers in Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues Operating transfers out Sale of land Community programs	Total revenues	62,300	21,702	(40,598)
General government Protection of persons and property Community programs Transportation Total expenditures Excess (deficiency) of revenues over (under) expenditures Operating transfers in Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures 62,300 21,702 (40,598) Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 253,543 -	Expenditures:			
Protection of persons and property Community programs Transportation Total expenditures Excess (deficiency) of revenues over (under) expenditures Operating transfers in Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues over (under) expenditures Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other uses Operating transfers out Operati				
Community programs Transportation Total expenditures Excess (deficiency) of revenues over (under) expenditures Other financing sources (uses): Operating transfers in Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598)	-	-	-	-
Transportation		-	-	-
Total expenditures		-	-	-
Excess (deficiency) of revenues over (under) expenditures 62,300 21,702 (40,598) Other financing sources (uses): Operating transfers in	Transportation			
over (under) expenditures62,30021,702(40,598)Other financing sources (uses):Operating transfers inOperating transfers outSale of landTotal other financing sources (uses)Excess (deficiency) of revenues and other sources over (under) expenditures and other uses62,30021,702(40,598)Fund balance at beginning of year253,543253,543-	Total expenditures			
Other financing sources (uses): Operating transfers in	Excess (deficiency) of revenues			
Operating transfers in Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 -	over (under) expenditures	62,300	21,702	(40,598)
Operating transfers out Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 -	Other financing sources (uses):			
Sale of land Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 253,543 -	Operating transfers in	-	-	-
Total other financing sources (uses) Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 -	Operating transfers out	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 253,543 -	Sale of land			
other sources over (under) expenditures and other uses 62,300 21,702 (40,598) Fund balance at beginning of year 253,543 253,543 -	Total other financing sources (uses)			
Fund balance at beginning of year 253,543 253,543 -	other sources over (under)			
<u> </u>	expenditures and other uses	62,300	21,702	(40,598)
Fund balance at end of year \$ 315,843 275,245 (40,598)	Fund balance at beginning of year	253,543	253,543	
	Fund balance at end of year	\$ 315,843	275,245	(40,598)

CITY OF COSTA MESA, CALIFORNIA Supplemental Law Enforcement Services Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			(**************************************
Taxes	\$ -	-	-
Fines and forfeits	-	-	-
Intergovernmental	239,634	221,999	(17,635)
Charges for services	-	-	-
Special assessments	-	-	-
Rental	27,000	24.024	(12.076)
Investment income Miscellaneous	37,000	24,024	(12,976)
Total revenues	276,634	246,023	(30,611)
Expenditures:			
Current:			
General government	-	-	-
Protection of persons and property	490,387	192,202	298,185
Community programs	-	-	-
Transportation			
Total expenditures	490,387	192,202	298,185
Excess (deficiency) of revenues			
over (under) expenditures	(213,753)	53,821	267,574
Other financing sources (uses):			
Operating transfers in Operating transfers out	(19,268)	(9,634)	9,634
Sale of land			-
Total other financing sources (uses)	(19,268)	(9,634)	9,634
Excess (deficiency) of revenues and other sources over (under)	(222.021)	44.107	277 200
expenditures and other uses	(233,021)) 44,187	277,208
Fund balance at beginning of year	382,049	382,049	
Fund balance at end of year	\$ 149,028	426,236	277,208

CITY OF COSTA MESA, CALIFORNIA Traffic Impact Fees Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	Dudant	A atual	Variance - Favorable
Revenues:	Budget	Actual	(Unfavorable)
Taxes	\$ -	_	_
Fines and forfeits	_	_	_
Intergovernmental	2,575,100	5,658,752	3,083,652
Charges for services	-	-	-
Special assessments	-	-	-
Rental	-	-	-
Investment income	92,000	219,768	127,768
Miscellaneous			
Total revenues	2,667,100	5,878,520	3,211,420
Expenditures:			
Current:			
General government	-	_	-
Protection of persons and property	-	-	-
Community programs	-	-	-
Transportation	3,512,350	4,987,725	(1,475,375)
Total expenditures	3,512,350	4,987,725	(1,475,375)
Excess (deficiency) of revenues			
over (under) expenditures	(845,250)	890,795	1,736,045
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Sale of land		- -	
Total other financing sources (uses)		<u> </u>	
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	(845,250)	890,795	1,736,045
Fund balance at beginning of year	2,270,607	2,270,607	
Fund balance at end of year	\$ 1,425,357	3,161,402	1,736,045

CITY OF COSTA MESA, CALIFORNIA Rental Rehabilitation Program Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:			(0)
Taxes	\$ -	-	-
Fines and forfeits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Special assessments	-	-	-
Rental	-	-	-
Investment income	7,000	6,781	(219)
Miscellaneous			
Total revenues	7,000	6,781	(219)
Expenditures:			
Current:			
General government	-	-	-
Protection of persons and property	-	-	-
Community programs	-	-	-
Transportation			
Total expenditures			
Excess (deficiency) of revenues			
over (under) expenditures	7,000	6,781	(219)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Sale of land			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other sources over (under)		:	
expenditures and other uses	7,000	6,781	(219)
Fund balance at beginning of year	129,820	129,820	
Fund balance at end of year	\$ 136,820	136,601	(219)

CITY OF COSTA MESA, CALIFORNIA Narcotics Forfeiture Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	D 1 4	A 4 1	Variance - Favorable
Revenues:	Budget	Actual	(Unfavorable)
Taxes	\$ -	_	_
Fines and forfeits	160,000	184,026	24,026
Intergovernmental	117,000	51,493	(65,507)
Charges for services	, -		-
Special assessments	-	-	-
Rental	-	-	-
Investment income	-	-	-
Miscellaneous			
Total revenues	277,000	235,519	(41,481)
Expenditures:			
Current:			
General government	-	-	-
Protection of persons and property	316,400	205,412	110,988
Community programs	-	-	-
Transportation			
Total expenditures	316,400	205,412	110,988
Excess (deficiency) of revenues			
over (under) expenditures	(39,400)	30,107	69,507
· · · · () · · · - · · · · · · · · · · · · · · ·	(67,100)		
Other financing sources (uses):			
Operating transfers in	300,000	1,148,000	848,000
Operating transfers out	-	-	-
Sale of land			
Total other financing sources (uses)	300,000	1,148,000	848,000
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	260,600	1,178,107	917,507
Fund balance (deficit) at beginning of year	(1,256,687)	(1,256,687)	
Fund balance (deficit) at end of year	\$ (996,087)	(78,580)	917,507

CITY OF COSTA MESA, CALIFORNIA Low and Moderate Income Housing Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:			
Taxes	\$ 579,000	527,191	(51,809)
Intergovernmental	-	-	-
Special assessments	-	-	-
Rental	-	-	-
Investment income	-	21,631	21,631
Miscellaneous		129,568	129,568
Total revenues	579,000	678,390	99,390
Expenditures:			
Current:			
General government	-	-	-
Transportation	-	-	-
Leisure and community services	-	-	-
Redevelopment	1,180,303	863,071	317,232
Total expenditures	1,180,303	863,071	317,232
Excess (deficiency) of revenues			
over (under) expenditures	(601,303)	(184,681)	416,622
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out			
Total other financing sources (uses)			
Excess (deficiency) of revenues and			
other sources over (under)	,		
expenditures and other uses	(601,303)	(184,681)	416,622
Fund balance at beginning of year	1,745,302	1,745,302	
Fund balance at end of year	\$ 1,143,999	1,560,621	416,622

CITY OF COSTA MESA, CALIFORNIA Local Law Enforcement Block Grant Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:			
Taxes	\$ -	-	-
Fines and forfeits	-	-	-
Intergovernmental	186,706	67,586	(119,120)
Charges for services	-	-	-
Special assessments	-	-	-
Rental	7.700	2 002	(4.017)
Investment income	7,700	2,883	(4,817)
Miscellaneous		-	
Total revenues	194,406	70,469	(123,937)
Expenditures:			
Current:			
General government	-	-	-
Protection of persons and property	162,559	89,143	73,416
Community programs	-	-	-
Transportation		-	
Total expenditures	162,559	89,143	73,416
Excess (deficiency) of revenues			
over (under) expenditures	31,847	(18,674)	(50,521)
Operating transfers in	9,634	9,634	_
Operating transfers out	7,054),03 4	_
Sale of land			
Total other financing sources (uses)	9,634	9,634	
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	41,481	(9,040)	(50,521)
Fund balance at beginning of year		78,246	78,246
Fund balance at end of year	\$ 41,481	69,206	27,725

Debt Service Funds

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulated or resources for, and payment of, general long-term debt.

1974 Open Space Bond Fund

To accumulate monies for payment of the General Obligation bonds which are serial bonds due in annual installments through January 1, 2004. Financing is provided through specific property tax levies.

Redevelopment Debt Service Fund

To accumulate monies for payment of the 1993 Tax Allocation Refunding Bonds, the promissory note due upon demand to the City of Costa Mesa and other developer loans. All tax increments received are placed in this fund and are used to retire debt (bonded or loans) in accordance with the Health and Safety Code.

Financing Authority Debt Service Fund

To accumulate monies for payment of the 1991 Local Agency Revenue Bonds, the 1993 Refunding Revenues Bonds, and the 1998 Refunding Revenue Bonds of the Corporation. The 1991 Local Agency Revenues Bonds provided monies for the purchase of the Costa Mesa Community Facilities 1991 Special Tax Bonds. The 1993 Refunding Revenue Bonds provided for the refunding of the Costa Mesa City Hall and Public Safety Facilities, Inc. 1966 and 1988 Lease Revenue Bond issues. The 1998 Refunding Revenue Bonds provided for the refunding of the 1990 Lease Revenue Bonds.

CITY OF COSTA MESA, CALIFORNIA Debt Service Funds

Combining Balance Sheet

June 30, 2002

	1974 C	Redevelopment Debt	Financing Authority Debt	Tota	ıls
	Space I	•	Service	2002	2001
<u>Assets</u>					
Cash and investments	\$ 327	7,664 1,119,032	2,366,416	3,813,112	3,428,599
Cash and investments with fiscal agents		- 759,793	3,344,664	4,104,457	4,355,422
Due from other governments	8	3,500 24,791	245,050	278,341	21,231
Accounts receivable			45,000	45,000	-
Interest receivable	1	,898 4,050	-	5,948	6,017
Prepaid items	12	2,105 -		12,105	18,201
Total assets	\$ 350	1,907,666	6,001,130	8,258,963	7,829,470
Liabilities: Accounts payable Accrued liabilities Advances from other funds	\$	- 969,057 1,765 - 953,019	- - -	969,057 4,765 953,019	609,040 4,765 996,337
Total liabilities		1,765 1,922,076	- _	1,926,841	1,610,142
Fund balances: Reserved:					
Prepaid items	12	2,105 -	-	12,105	18,201
Debt service	333	3,297 -	6,001,130	6,334,427	6,282,763
Unreserved, undesignated		- (14,410)	_	(14,410)	(81,636)
Total fund balances (deficits)	345	5,402 (14,410)	6,001,130	6,332,122	6,219,328
Total liabilities and fund balances	\$ 350),167 1,907,666	6,001,130	8,258,963	7,829,470

CITY OF COSTA MESA, CALIFORNIA Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	1974 Open		Redevelopment Debt	Financing Authority Debt	Totals	
		ace Bond	Service	Service	2002	2001
Revenues:	Sp	acc Dona	Bervice	Scrvice	2002	2001
Taxes	\$	276,330	2,108,480	<u>-</u>	2,384,810	2,250,831
Investment income	Ψ	15,128	25,554	298,612	339,294	371,255
	-			, , , , , , , , , , , , , , , , , , , 		,
Total revenues		291,458	2,134,034	298,612	2,724,104	2,622,086
Expenditures:						
Debt service:						
Principal		230,000	632,295	1,370,000	2,232,295	2,114,640
Interest and fiscal charges		39,136	1,451,708	1,509,438	3,000,282	2,735,624
Total expenditures		269,136	2,084,003	2,879,438	5,232,577	4,850,264
Excess (deficiency) of revenues over (under) expenditures		22,322	50,031	(2,580,826)	(2.509.472)	(2 220 170)
over (under) expenditures		22,322	30,031	(2,380,820)	(2,508,473)	(2,228,178)
Other financing sources (uses):						
Operating transfers in		-	-	2,638,536	2,638,536	2,639,743
Operating transfers out		(17,269)		-	(17,269)	(18,137)
Total other financing sources (uses)		(17,269)	-	2,638,536	2,621,267	2,621,606
Excess (deficiency) of revenues and						
other sources over (under)						
expenditures and other uses		5,053	50,031	57,710	112,794	393,428
Fund balance (deficit) at beginning of year		340,349	(64,441)	5,943,420	6,219,328	5,825,900
Fund balance (deficit) at end of year	\$	345,402	(14,410)	6,001,130	6,332,122	6,219,328

CITY OF COSTA MESA, CALIFORNIA 1974 Open Space Bond Fund

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:		·	
Taxes	\$ 266,400	276,330	9,930
Investment income	15,000	15,128	128
Total revenues	281,400	291,458	10,058
Expenditures:			
Debt service:	220.000	220.000	
Principal	230,000	230,000	-
Interest and fiscal charges	36,400	39,136	(2,736)
Total expenditures	266,400	269,136	(2,736)
Excess (deficiency) of revenues			
over (under) expenditures	15,000	22,322	7,322
Other financing sources (uses):			
Operating transfers out		(17,269)	(17,269)
Total other financing sources (uses)	_	(17,269)	(17,269)
Excess (deficiency) of revenues and			
other sources over (under)			
expenditures and other uses	15,000	5,053	(9,947)
Fund balance at beginning of year	340,349	340,349	
Fund balance at end of year	\$ 355,349	345,402	(9,947)

CITY OF COSTA MESA, CALIFORNIA Redevelopment Debt Service Fund

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,177,345	2,108,480	(68,865)
Investment income	-	25,554	25,554
Total revenues	2,177,345	2,134,034	(43,311)
Expenditures:			
Debt service:			
Principal	636,600	632,295	4,305
Interest and fiscal charges	1,527,380	1,451,708	75,672
Total expenditures	2,163,980	2,084,003	79,977
Excess (deficiency) of revenues			
over (under) expenditures	13,365	50,031	36,666
Other financing sources (uses):			
Operating transfers out	(43,320)		43,320
Total other financing sources (uses)	(43,320)	-	43,320
Excess (deficiency) of revenues and			
other sources over (under)	(20.055)	50.021	70.006
expenditures and other uses	(29,955)	50,031	79,986
Fund balance (deficit) at beginning of year	(64,441)	(64,441)	<u>-</u>
Fund balance (deficit) at end of year	\$ (94,396)	(14,410)	79,986



Capital Projects Funds

CAPITAL PROJECTS FUND

Capital Projects Funds are established to account for financial resources segregated for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

Capital Outlay Fund

Established to account for the construction of capital facilities financed by the City's General Fund.

Measure "M" Construction Fund

Established to account for the expenditure of the April 1991 voter-approved one-half percent sales tax for local transportation improvements.

CENTROCCS Fund

Established to account for receipt and disbursement of funds received from developers for transportation improvements in the Sunflower/Main Street project area as defined in the Central Orange County Circulation Study (CENTROCCS).

Financing Authority Construction Fund

Established to account for the construction of capital facilities financed by the Costa Mesa Financing Authority bond proceeds.

Parking Districts Fund

Established under the Vehicle Parking District Law of 1943 to provide vehicle facilities in the downtown area. Financing was provided through specific property tax levies.

Redevelopment Projects Fund

Established to account or financial resources to be used for acquisition or construction of major capital facilities within the Redevelopment Project Areas of Costa Mesa. Financing is to be provided by the Costa Mesa Redevelopment Agency.

CITY OF COSTA MESA, CALIFORNIA Capital Projects Funds

Combining Balance Sheet

June 30, 2002

	Capital	Measure "M"		Financing Authority	Parking	Redevelopment	Tot	tals
	Outlay	Construction	CENTROCCS	Construction	Districts	Projects	2002	2001
<u>Assets</u>								
Cash and investments Cash and investments with fiscal agents	\$ 7,857,881 480,179	4,848,210	366,160	1,342,927	40,057	479,465	14,934,700 480,179	14,687,226
Due from other governments Accounts receivable	359,457	357,250	- -	-	29	2,655	719,391	624,178 30,180
Interest receivable	45,751	28,492	2,114	7,755	232	670,576	754,920	770,809
Loans receivable	275,250	, <u>-</u>	_	, -	_	-	275,250	273,050
Rent receivable	, -	-	_	-	_	939,027	939,027	900,099
Prepaid items	247,550	_	_	_	_	-	247,550	74,750
Land held for resale					-	1,697,665	1,697,665	1,697,665
Total assets	\$ 9,266,068	5,233,952	368,274	1,350,682	40,318	3,789,388	20,048,682	19,057,957
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable Accrued liabilities	\$ 147,676 146	308,122	-	7,445	-	7,040	470,283 146	439,365
Retentions payable	190,309	76,798	_	_	_	_	267,107	307,111
Deposits payable	443,986		_	_	_	_	443,986	268,438
Due to other funds	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	_	_	_	_	11,163	11,163	17,545
Deferred revenue	565,019	110,669	_	_	_	1,604,805	2,280,493	2,690,248
2 oronio a romac	200,019	110,000					2,200,195	
Total liabilities	1,347,136	495,589		7,445	-	1,623,008	3,473,178	3,722,707
Fund balances: Reserved:								
Encumbrances	1,412,672	1,002,827	_	108,133	-	-	2,523,632	3,769,630
Prepaid items	247,550	-	_	_	_	_	247,550	74,750
Land held for resale	, -	-	_	-	_	1,697,665	1,697,665	1,697,665
Unreserved:						,,	,,	,,
Designated for capital outlay	6,258,710	3,735,536	368,274	1,235,104	_	468,715	12,066,339	8,290,833
Undesignated	-	-	-	-	40,318	-	40,318	1,502,372
		-	. ———		, -	· -		
Total fund balances	7,918,932	4,738,363	368,274	1,343,237	40,318	2,166,380	16,575,504	15,335,250
Total liabilities and fund balances	\$ 9,266,068	5,233,952	368,274	1,350,682	40,318	3,789,388	20,048,682	19,057,957

CITY OF COSTA MESA, CALIFORNIA Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	Capital	Measure "M"		Financing Authority	Parking	Redevelopment	Tot	alc
	Outlay	Construction	CENTROCCS	Construction	Districts	Projects	2002	2001
Revenues:	<u> </u>	Construction	ELITINOCES	Construction	Districts	Trojects	2002	2001
Taxes	\$ -	_	_	_	790	_	790	788
Intergovernmental	926,527	2,399,228	-	_	-	-	3,325,755	2,288,250
Special assessments	, <u>-</u>	-	-	_	-	-	, , , <u>-</u>	-
Rental	_	-	-	_	_	70,279	70,279	65,886
Investment income	306,049	253,058	18,281	69,288	2,024	16,883	665,583	602,312
Miscellaneous	130,292	, -	, <u>-</u>	, -	_	10	130,302	24,379
							, , , , , , , , , , , , , , , , , , , 	
Total revenues	1,362,868	2,652,286	18,281	69,288	2,814	87,172	4,192,709	2,981,615
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Transportation	3,837,009	1,510,308	-	206,632	-	-	5,553,949	5,308,576
Leisure and community services	-	-	-	-	-	-	-	-
Redevelopment	-	-	-	-	-	123,063	123,063	52,042
Debt service:								
Principal		-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	3,837,009	1,510,308		206,632	-	123,063	5,677,012	5,360,618
Excess (deficiency) of revenues								
over (under) expenditures	(2,474,141)	1,141,978	18,281	(137,344)	2,814	(35,891)	(1,484,303)	(2,379,003)
Other financing sources (uses):								
Operating transfers in	2,222,131	-	-	-	-	-	2,222,131	6,070,882
Operating transfers out	-	(100,000)	-	-	(2,295)	(70,279)	(172,574)	(194,079)
Lease proceeds	675,000				-	<u> </u>	675,000	
Total other financing								
sources (uses)	2,897,131	(100,000)			(2,295)	(70,279)	2,724,557	5,876,803
Excess (deficiency) of revenues								
and other sources over (under)								
expenditures and other uses	422,990	1,041,978	18,281	(137,344)	519	(106,170)	1,240,254	3,497,800
expenditures and other uses	122,550	1,041,570	10,201	(137,344)	31)	(100,170)	1,210,231	3,177,000
Fund balance at beginning of year	7,495,942	3,696,385	349,993	1,480,581	39,799	2,272,550	15,335,250	11,837,450
5 5 3			·					
Fund balance at end of year	\$7,918,932	4,738,363	368,274	1,343,237	40,318	2,166,380	16,575,504	15,335,250

CITY OF COSTA MESA, CALIFORNIA Capital Outlay Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:			
Taxes	\$ -	-	-
Intergovernmental	883,100	926,527	43,427
Special assessments	-	-	-
Rental	-	-	-
Investment income	106,700	306,049	199,349
Miscellaneous		130,292	130,292
Total revenues	989,800	1,362,868	373,068
Expenditures:			
Current:			
General government	-	-	-
Transportation	1,017,280	3,837,009	(2,819,729)
Leisure and community services	-	-	-
Redevelopment	-	-	-
Debt service:			
Principal	-	-	-
Interest		-	
Total expenditures	1,017,280	3,837,009	(2,819,729)
Excess (deficiency) of revenues			
over (under) expenditures	(27,480)	(2,474,141)	(2,446,661)
Other financing sources (uses):			
Operating transfers in	2,155,241	2,222,131	66,890
Operating transfers out	-	-	-
Lease proceeds		675,000	675,000
Total other financing sources (uses)	2,155,241	2,897,131	741,890
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	2,127,761	422,990	(1,704,771)
Fund balance at beginning of year	7,495,942	7,495,942	
Fund balance at end of year	\$ 9,623,703	7,918,932	(1,704,771)

CITY OF COSTA MESA, CALIFORNIA Measure "M" Construction Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
D.	Budget	Actual	(Unfavorable)
Revenues:	C		
Taxes Intergovernmental	\$ - 4,315,750	2,399,228	(1,916,522)
Special assessments	4,313,730	2,377,226	(1,710,322)
Rental	_	_	_
Investment income	240,800	253,058	12,258
Miscellaneous	<u> </u>		
Total revenues	4,556,550	2,652,286	(1,904,264)
Expenditures:			
Current:			
General government	-	-	-
Transportation	4,383,016	1,510,308	2,872,708
Leisure and community services	-	-	-
Redevelopment	-	-	-
Debt service:	-		
Principal	-	-	-
Interest	- -		
Total expenditures	4,383,016	1,510,308	2,872,708
Excess (deficiency) of revenues			
over (under) expenditures	173,534	1,141,978	968,444
Other financing sources (uses):			
Operating transfers in	(100,000)	(100,000)	-
Operating transfers out	(100,000)	(100,000)	
Total other financing sources (uses)	(100,000)	(100,000)	
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	73,534	1,041,978	968,444
Fund balance at beginning of year	3,696,385	3,696,385	
Fund balance at end of year	\$ 3,769,919	4,738,363	968,444

CITY OF COSTA MESA, CALIFORNIA CENTROCCS Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:			
Taxes	\$ -	-	-
Intergovernmental	-	-	-
Special assessments	-	-	-
Rental	-	-	-
Investment income	12,500	18,281	5,781
Miscellaneous			
Total revenues	12,500	18,281	5,781
Expenditures:			
Current:			
General government	-	-	-
Transportation	-	-	-
Leisure and community services	-	-	-
Redevelopment	-	-	-
Debt service:			
Principal	-	-	-
Interest	<u> </u>		
Total expenditures			
Excess (deficiency) of revenues			
over (under) expenditures	12,500	18,281	5,781
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	12,500	18,281	5,781
Fund balance at beginning of year	349,993	349,993	
Fund balance at end of year	\$ 362,493	368,274	5,781

CITY OF COSTA MESA, CALIFORNIA Financing Authority Construction Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

			Variance - Favorable
	Budget	Actual	(Unfavorable)
Revenues:			
Taxes	\$ -	-	-
Intergovernmental	-	-	-
Special assessments	-	-	-
Rental	-	-	-
Investment income	82,180	69,288	(12,892)
Miscellaneous			
Total revenues	82,180	69,288	(12,892)
Expenditures:			
Current:			
General government	-	-	-
Transportation	-	206,632	(206,632)
Leisure and community services	-	-	-
Redevelopment	-	-	-
Debt service:			
Principal	-	-	-
Interest			
Total expenditures		206,632	(206,632)
Excess (deficiency) of revenues			
over (under) expenditures	82,180	(137,344)	(219,524)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	82,180	(137,344)	(219,524)
Fund balance at beginning of year	1,480,581	1,480,581	
Fund balance at end of year	\$ 1,562,761	1,343,237	(219,524)

CITY OF COSTA MESA, CALIFORNIA Redevelopment Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			<u> </u>
Taxes	\$ -	-	-
Intergovernmental	-	-	-
Special assessments	-	-	-
Rental	70,000	70,279	279
Investment income	36,413	16,883	(19,530)
Miscellaneous		10	10
Total revenues	106,413	87,172	(19,241)
Expenditures:			
Current:			
General government	-	-	-
Transportation	-	-	-
Leisure and community services Redevelopment	172,665	123,063	49,602
Debt service:	172,003	123,003	49,002
Principal	_	_	_
Interest	_	_	_
Total expenditures	172,665	123,063	49,602
Excess (deficiency) of revenues			
over (under) expenditures	(66,252)	(35,891)	30,361
Other financing sources (uses):			
Operating transfers in	-	(70.270)	(70.270)
Operating transfers out		(70,279)	(70,279)
Total other financing sources (uses)		(70,279)	(70,279)
Excess (deficiency) of revenues and other sources over (under)			
expenditures and other uses	(66,252)	(106,170)	(39,918)
Fund balance at beginning of year	2,272,550	2,272,550	
Fund balance at end of year	\$ 2,206,298	2,166,380	(39,918)

Internal Service Funds

INTERNAL SERVICE FUNDS
Internal Service Funds are used to account for the financing of goods and services provided by the one City department to others, or of other governmental units on a cost-reimbursement basis.
Equipment Replacement Fund Established to account for all motorized equipment used by City departments.
Self Insurance Fund – Worker's Compensation/General Liability/Unemployment Established to account for the receipt and disbursement of funds used to pay worker's compensation, general liability and unemployment claims filed against the City.

CITY OF COSTA MESA, CALIFORNIA Internal Service Funds

Combining Balance Sheet

June 30, 2002

		Self-Insurance Workers' Compensation/ General		
	Equipment	Liability/	Tot	
	Replacement	Unemployment	2002	2001
<u>Assets</u>				
Current assets: Cash and investments	\$ 5,425,099	11,085,028	16,510,127	15,856,834
Accounts receivable	-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		3,756
Interest receivable	31,470	64,018	95,488	202,826
Inventories	69,387	-	69,387	66,936
Prepaid items	63,583	_	63,583	-
·F		-		
Total current assets	5,589,539	11,149,046	16,738,585	16,130,352
Fixed assets:				
Automotive equipment	6,954,127	-	6,954,127	6,625,149
Other equipment	300,586	-	300,586	309,794
Accumulated depreciation	(3,384,062)		(3,384,062)	(3,287,181)
Net fixed assets	3,870,651		3,870,651	3,647,762
Total assets	\$ 9,460,190	11,149,046	20,609,236	19,778,114
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable	\$ 35,670	127,743	163,413	310,876
Accrued liabilities	15,131	3,324	18,455	14,420
Due to other funds	, <u>-</u>	-	´ -	7,365
Total current liabilities	50,801	131,067	181,868	332,661
Long-term liabilities: Claims payable		10,737,660	10,737,660	9,480,431
Total long-term liabilities		10,737,660	10,737,660	9,480,431
Total liabilities	50,801	10,868,727	10,919,528	9,813,092
Equity: Contributed capital	610,779	_	610,779	610,779
Retained earnings:	010,779	-	010,779	010,779
Unreserved	8,798,610	280,319	9,078,929	9,354,243
Total equity	9,409,389	280,319	9,689,708	9,965,022
Total liabilities and equity	\$ 9,460,190	11,149,046	20,609,236	19,778,114

CITY OF COSTA MESA, CALIFORNIA Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

		Self-Insurance Workers' Compensation/ General		
	Equipment	Liability/	Tota	
	Replacement	Unemployment	2002	2001
Operating revenues:				
Charges for services	\$ 2,569,776	2,450,162	5,019,938	5,947,855
Total operating revenues	2,569,776	2,450,162	5,019,938	5,947,855
Operating expenses:				
Allocated administrative costs	818,207	_	818,207	1,086,797
Depreciation	488,028	-	488,028	400,746
Automotive fuel and parts	514,558	-	514,558	356,255
Claims and premiums		3,937,494	3,937,494	4,047,378
Total operating expenses	1,820,793	3,937,494	5,758,287	5,891,176
Operating income (loss)	748,983	(1,487,332)	(738,349)	56,679
Nonoperating revenues (expenses):				
Investment income	272,698	555,167	827,865	926,027
Loss on sale of equipment	(82,448)	-	(82,448)	-
Miscellaneous				
Total nonoperating revenues (expenses)	190,250	555,167	745,417	926,027
Income (loss) before operating transfers	939,233	(932,165)	7,068	982,706
Operating transfers: Operating transfers out	(308,042)	-	(308,042)	(310,650)
Total operating transfers	(308,042)		(308,042)	(310,650)
Net income (loss)	631,191	(932,165)	(300,974)	672,056
Retained earnings at beginning of year, as restated	8,167,419	1,212,484	9,379,903	8,682,187
Retained earnings at end of year	\$ 8,798,610	280,319	9,078,929	9,354,243

CITY OF COSTA MESA, CALIFORNIA Internal Service Funds

Combining Statement of Cash Flows

For the fiscal year ended June 30, 2002

Self-Insurance

		Workers'		
		Compensation/		
	Equipment	General Liability/	To	tals
		Unemployment	2002	2001
Cash flows from operating activities: Cash received from customers and user departments Cash payments to suppliers for goods and services Cash payments to employees for services	\$2,573,532 (968,760) (551,138)	2,450,162 (2,641,684)	5,023,694 (3,610,444) (551,138)	5,944,099 (3,500,020) (541,214)
Net cash provided by (used for) operating activities	1,053,634	(191,522)	862,112	1,902,865
Cash flows from noncapital financing activities: Cash paid to other funds	(314,066)	(1,341)	(315,407)	(312,170)
Net cash provided by (used for) noncapital financing activities	(314,066)	(1,341)	(315,407)	(312,170)
Cash flows from capital and related financing activities: Acquisition of capital assets	(828,615)	. <u> </u>	(828,615)	(1,093,698)
Net cash provided by (used for) capital and related financing activities	(828,615)		(828,615)	(1,093,698)
Cash flows from investing activities: Investment income received	308,041	627,162	935,203	939,061
Net cash provided by (used for) investing activities	308,041	627,162	935,203	939,061
Net increase (decrease) in cash and cash equivalents	218,994	434,299	653,293	1,436,058
Cash and cash equivalents at beginning of year	5,206,105	10,650,729	15,856,834	14,420,776
Cash and cash equivalents at end of year	\$5,425,099	11,085,028	16,510,127	15,856,834
Reconciliation of operating income (loss) to net cash provided by operating activities: Operating income (loss) Adjustments to reconcile operating income (loss)	\$ 748,983	(1,487,332)	(738,349)	56,679
to net cash provided by operating activities: Depreciation Loss on sale of equipment (Increase) decrease in accounts receivable (Increase) decrease in inventories	488,028 (82,448) 3,756 (2,451)	- - - -	488,028 (82,448) 3,756 (2,451)	400,746 - (3,756) (3,686)
(Increase) decrease in prepaid items (Increase) decrease in other assets Increase (decrease) in accounts payable Increase (decrease) in accrued liabilities Increase (decrease) in claims payable	(63,583) 117,698 (159,566) 3,217	37,763 818 1,257,229	(63,583) 117,698 (121,803) 4,035 1,257,229	65,236 130,063 (2,306) 1,259,889
Net cash provided by (used for)operating activities	\$1,053,634	(191,522)	862,112	1,902,865
to the first of (apparent) obstanting apprinted	,,	(1,0 = 2)	,	-,- 32,000

Trust and Agency Funds

TRUST AND AGENCY FUNDS

The Trust and Agency Funds are used to account for assets held by the City in a fiduciary capacity for individuals, government entities, and others. Such funds are operated by carrying out the specifications of trust indentures, statutes, ordinances, or other governing regulations.

Agency Funds:

Deposits Fund

Established to account for various other funds held by the City in an agent or trustee capacity of individuals, private organizations, other governmental units, and/or other funds.

Community Facilities District Fund

Established to account for a special tax received under the Mello-Roos Community Facilities Act of 1982. Bonds were issued to provide for improvements within the District.

Airborne Law Enforcement (A.B.L.E.) Fund

Established to account for the receipt of funds made available to finance, acquire, and maintain the Airborne Law Enforcement Services, a public law enforcement service program. The Cities of Costa Mesa and Newport Beach are member agencies of this joint powers agency. The agency contracts with public entities to provide helicopter services.

CITY OF COSTA MESA, CALIFORNIA Agency Funds

Combining Balance Sheet

June 30, 2002

		Community	Airborne	_	
		Facililties	Law	Tot	
	Deposits	District	Enforcement	2002	2001
<u>Assets</u>					
Cash and investments	\$ 2,928,348	245,745	1,140,930	4,315,023	3,831,873
Due from other governments	-	_	264,469	264,469	333,730
Accounts receivable	33,483	-	833	34,316	20,533
Interest receivable	1,162	-	6,588	7,750	28,831
Due from other funds	· -	-	-	-	613,511
Inventories	-	-	1,283	1,283	8,829
Prepaid items			2,502	2,502	1,662
Total assets	\$ 2,962,993	245,745	1,416,605	4,625,343	4,838,969
<u>Liabilities</u>					
Liabilities:					
Accounts payable	\$ -	-	228,022	228,022	315,182
Accrued liabilities	96	_	10,249	10,345	30,482
Deposits payable	2,962,897	-	· -	2,962,897	2,350,015
Due to other funds	-	-	1,219	1,219	-
Due to other governments	-	-	1,177,115	1,177,115	2,143,290
Held for bondholders		245,745		245,745	
Total liabilities	\$ 2,962,993	245,745	1,416,605	4,625,343	4,838,969

CITY OF COSTA MESA, CALIFORNIA Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the fiscal year ended June 30, 2002

	Balance at July 1, 2001	Additions	Deletions	Balance at June 30, 2002
<u>DEPOSITS</u>				
<u>Assets</u>				
Cash and investments	\$ 1,760,642	27,078,656	25,910,950	2,928,348
Due from other governments	92,525	-	92,525	-
Accounts receivable	19,700	226,468	212,685	33,483
Interest receivable	2,366	1,162	2,366	1,162
Due from other funds	613,511		613,511	
Total assets	\$ 2,488,744	27,306,286	26,832,037	2,962,993
<u>Liabilities</u>				
Accounts payable	\$ 137,943	13,964,620	14,102,563	-
Accrued liabilities	786	942,752	943,442	96
Deposits payable	2,350,015	26,512,367	25,899,485	2,962,897
Total liabilities	\$ 2,488,744	41,419,739	40,945,490	2,962,993
COMMUNITY FACILITIES DISTRICT				
<u>Assets</u>				
Cash and investments	\$ -	250,381	4,636	245,745
Total assets	\$ -	250,381	4,636	245,745
<u>Liabilities</u>				
Held for bondholders	\$ -	250,381	4,636	245,745
Total liabilities	\$ -	250,381	4,636	245,745

(Continued)

CITY OF COSTA MESA, CALIFORNIA Agency Funds

Combining Statement of Changes in Assets and Liabilities

Balance at July 1, 2001	Additions	Deletions	Balance at June 30, 2002
\$ 2,071,231 241,205 833 26,465 8,829 1,662	2,082,313 1,142,194 10,833 6,588 - 8,384	3,012,614 1,118,930 10,833 26,465 7,546 7,544	1,140,930 264,469 833 6,588 1,283 2,502
\$ 2,350,225	3,250,312	4,183,932	1,416,605
\$ 177,239 29,696 - 2,143,290	2,946,597 21,300 1,219 4,567,420	2,895,814 40,747 - 5,533,595	228,022 10,249 1,219 1,177,115
\$ 2,350,225	7,536,536	8,470,156	1,416,605
\$ 3,831,873 333,730 20,533 28,831 613,511 8,829 1,662 \$ 4,838,969	29,411,350 1,142,194 237,301 7,750 - 8,384 30,806,979	28,928,200 1,211,455 223,518 28,831 613,511 7,546 7,544 31,020,605	4,315,023 264,469 34,316 7,750 - 1,283 2,502 4,625,343
\$ 315,182 30,482 2,350,015 - 2,143,290 - \$ 4,838,969	16,911,217 964,052 26,512,367 1,219 4,567,420 250,381 49,206,656	16,998,377 984,189 25,899,485 - 5,533,595 4,636 49,420,282	228,022 10,345 2,962,897 1,219 1,177,115 245,745 4,625,343
	\$ 2,071,231 241,205 833 26,465 8,829 1,662 \$ 2,350,225 \$ 177,239 29,696 2,143,290 \$ 2,350,225 \$ 3,831,873 333,730 20,533 28,831 613,511 8,829 1,662 \$ 4,838,969 \$ 315,182 30,482 2,350,015 2,143,290 2 2,143,290	\$ 2,071,231	July 1, 2001 Additions Deletions \$ 2,071,231 2,082,313 3,012,614 241,205 1,142,194 1,118,930 833 10,833 10,833 26,465 6,588 26,465 8,829 - 7,546 1,662 8,384 7,544 \$ 2,350,225 3,250,312 4,183,932 \$ 177,239 2,946,597 2,895,814 29,696 21,300 40,747 - 1,219 - 2,143,290 4,567,420 5,533,595 \$ 2,350,225 7,536,536 8,470,156 \$ 3,831,873 29,411,350 28,928,200 333,730 1,142,194 1,211,455 20,533 237,301 223,518 28,831 7,750 28,831 613,511 - 613,511 8,829 - 7,546 1,662 8,384 7,544 \$ 4,838,969 30,806,979 31,020,605 \$ 315,182 16,911,217

Account Groups

	ACCOUNT GROUPS					
G	General Fixed Assets Account Group					
	Established to account for the cost of fixed assets of the City that are used in the performance of general government functions and that are not accounted for in the Internal Service Funds of the City.					
G	eneral Long-Term Debt Account Group					
	Established to account for the unmatured long-term indebtedness of the City and that is not accounted for in the Internal Service Funds of the City.					

Comparative Schedule of General Fixed Assets - By Source

June 30, 2002 and 2001

	 2002	2001
General fixed assets:		
Land	\$ 28,949,103	28,949,103
Landscaping and sprinkler improvements	9,289,308	9,293,736
Underground lines and storm drains	37,642	37,642
Buildings and structures	24,395,085	24,401,169
Automotive equipment	2,652,378	3,260,057
Office furniture	405,921	348,592
Office machines	6,695,394	6,316,670
Other equipment	7,476,241	7,096,199
Construction in progress	 11,253,574	7,171,160
Total general fixed assets	\$ 91,154,646	86,874,328
Investments in general fund fixed assets by source:		
General fund	\$ 27,781,921	27,560,598
Special revenue funds:		
Proposition 172	798,924	828,227
Special Gas Tax	2,199,067	2,199,067
Federal Revenue Sharing	6,835,263	6,838,041
Community Development	6,008,506	5,820,210
Park Development Fees	2,407,845	2,384,486
Narcotics Forfeiture	202,014	225,699
Supplemental Law Enforcement	399,465	371,479
Local Law Enforcement	207,271	192,695
Home Program	1,004,176	465,794
	 20,062,531	19,325,698
Debt service fund:	 	
1974 Open Space bond	4,440,695	4,440,695
	 .,,.,.	.,,.,.
Capital projects funds:		
Capital Outlay	32,651,095	29,326,521
Measure M Construction	136,286	136,286
Financing Authority Construction	5,905,626	5,908,038
Parking Districts	 143,881	143,881
	 38,836,888	35,514,726
Costa Mesa Redevelopment Agency	 23,064	23,064
Trust Funds	 9,547	9,547
Total investment in general fixed assets	\$ 91,154,646	86,874,328

Schedule of General Fixed Assets - By Function and Activity

June 30, 2002

			Improvements	Machinery	
			Other Than	and	
	Land	Buildings	Buildings	Equipment	Total
General government:					
City Council	\$ -	_	_	22,349	22,349
Legal services	Ψ -	_	_	37,407	37,407
City clerk	_	_	_	134,597	134,597
City management	_	_	_	54,739	54,739
Financial services	_	_	_	126,919	126,919
Personnel services	_	_	_	18,985	18,985
Computer services	_	_	_	1,519,849	1,519,849
Central services	_	_	_	354,052	354,052
General administration	6,991,110	12,540,714	527,671	121,700	20,181,195
Planning	421,900	901	-	55,487	478,288
Communication	-	1,107,282	_	3,850,194	4,957,476
 	-				.,,,,,,,
Total general government	7,413,010	13,648,897	527,671	6,296,278	27,885,856
Community programs:					
Parks	21,290,659	2,369,495	8,734,132	291,398	32,685,684
Recreation		2,470,415	46,295	81,095	2,597,805
Total community programs	21,290,659	4,839,910	8,780,427	372,493	35,283,489
Protection of persons and property:					
Police protection	-	1,190,623	2,927	7,096,645	8,290,195
Fire protection	245,434	4,691,787	15,925	2,926,915	7,880,061
Building safety	_	-	-	90,951	90,951
Animal control				25,900	25,900
Total protection of persons and property	245,434	5,882,410	18,852	10,140,411	16,287,107
Transportation		23,868		420,752	444,620
Total general fixed assets allocated to functions	\$ 28,949,103	24,395,085	9,326,950	17,229,934	79,901,072
Construction in progress					11,253,574
Total general fixed assets					\$ 91,154,646

Schedule of Changes in General Fixed Assets - By Function and Activity

	Balance at			Balance at
	July 1, 2001	Additions	Deletions	June 30, 2002
General government:				
City Council	\$ 48,940	3,151	29,742	22,349
Legal services	40,358	6,532	9,483	37,407
City clerk	77,729	64,320	7,452	134,597
City management	34,342	30,222	9,825	54,739
Financial services	150,938	44,550	68,570	126,919
Personnel services	39,789	9,190	29,994	18,985
Computer services	3,253,577	261,781	1,995,509	1,519,849
Central services	366,838	6,123	18,909	354,052
General administration	20,123,693	815,057	757,554	20,181,195
Planning	486,332	38,923	46,967	478,288
Communication	2,895,565	2,625,627	563,716	4,957,476
Total general government	27,518,101	3,905,476	3,537,721	27,885,856
Community programs:				
Parks	32,787,923	30,048	132,287	32,685,684
Recreation	2,708,114	10,981	121,290	2,597,805
Total community programs	35,496,037	41,029	253,577	35,283,489
Protection of persons and property:				
Police protection	7,194,071	1,249,427	153,303	8,290,195
Fire protection	8,757,153	60,028	937,120	7,880,061
Building safety	184,091	3,724	96,864	90,951
Animal control	25,900			25,900
Total protection of persons				
and property	16,161,215	1,313,179	1,187,287	16,287,107
Transportation	527,815	77,675	160,870	444,620
Construction in progress	7,171,160	4,082,414		11,253,574
Total general fixed assets	\$ 86,874,328	9,419,773	5,139,455	91,154,646

Comparative Statements of General Long-Term Debt

June 30, 2002 and 2001

	2002	2001
Assets and other debits		
Amount available in debt service funds	\$ 6,332,122	6,282,763
Amount to be provided for retirement of general long-term debt	50,231,650	51,330,342
Total assets and other debits	\$ 56,563,772	57,613,105
<u>Liabilities</u>		
Advances from other funds	\$ 13,273,043	13,201,892
Loans payable	309,953	637,248
Capital leases payable	1,097,380	453,043
Bonds payable	37,020,000	38,925,000
Employee leave benefits payable	4,863,396	4,395,922
Total liabilities	\$ 56,563,772	57,613,105



Statistical Section

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1) Last Ten Fiscal Years

Fiscal Year	General Government	Protection of Persons and Property	Community Programs (2)	Transportation
1992-93	\$ 10,651,348	\$ 31,149,998	\$ 3,334,442	\$ 5,026,674
1993-94	9,361,204	28,788,636	4,083,127	4,951,305
1994-95	9,478,267	32,900,523	3,443,861	4,960,734
1995-96	10,903,220	32,655,134	4,415,470	6,498,504
1996-97	10,964,706	34,947,801	4,539,634	5,883,628
1997-98	12,326,410	35,596,105	4,451,921	6,995,934
1998-99	11,661,679	37,108,197	4,382,759	6,276,542
1999-00	12,385,206	35,798,506	5,764,615	6,973,452
2000-01	20,020,444	41,684,236	5,614,630	5,702,873
2001-02	19,648,587	44,953,141	6,195,499	11,740,724
Fiscal Year	Leisure and Community Development	Redevelopment	Debt Service	TOTAL
1992-93	5,039,899	-	9,145,797	64,348,158
1993-94	4,423,370	-	7,536,590	59,144,232
1994-95	5,047,529	-	7,756,998	63,588,012
1995-96	5,205,720	-	9,616,303	69,294,351
1996-97	4,982,354	-	9,055,865	70,373,988
1997-98	5,140,984	-	9,267,582	73,778,936
1998-99	6,253,708	-	5,177,515	70,860,400
1999-00	5,111,378	-	5,253,433	71,286,590
2000-01	-	(3) \$358,282 (4	4,850,264	78,230,729
2001-02	-	(3) 863,071 (4	5,232,577	88,633,599

⁽¹⁾ Includes General, Special Revenue, and Debt Service Funds.

⁽²⁾ Previously Community Health & Environment.

⁽³⁾ Expenditures were included in Community Programs function for FY 2001.

⁽⁴⁾ Previously shown as Capital Project Fund Type.

CITY OF COSTA MESA, CALIFORNIA GENERAL GOVERNMENTAL REVENUES BY SOURCE (1) Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeitures	Inter- governmental	Charges for Services
1992-93	\$ 42,216,529	\$ 724,626	\$ 716,496	\$ 6,410,099	\$ 3,339,621
1993-94	43,092,601	645,613	1,173,366	8,345,991	2,821,984
1994-95	42,726,257	720,185	1,373,248	7,152,034	2,741,086
1995-96	43,935,170	1,025,540	1,182,470	7,946,869	4,041,473
1996-97	46,654,818	1,373,099	911,329	8,041,317	3,655,300
1997-98	48,627,522	1,174,296	1,624,038	9,567,732	3,358,236
1998-99	51,270,949	1,464,155	1,995,131	10,935,752	2,511,543
1999-00	54,427,238	1,914,939	1,940,865	12,242,958	2,688,370
2000-01	60,434,201	2,268,689	1,887,675	16,788,980	2,661,860
2001-02	59,065,530	1,516,212	2,145,631	19,216,103	2,233,011
Fiscal Year	Special Assessments	Rental	Interest	Miscellaneous	TOTAL
1992-93	\$ 1,539,163	\$ 1,220,178	\$ 3,490,653	\$ 278,120	\$ 59,935,485
1993-94	1,291,634	1,762,183	2,964,078	637,617	62,735,067
1994-95	1,231,932	1,655,702	2,628,048	462,158	60,690,650
1995-96	1,235,776	2,015,633	3,590,757	1,758,176	66,731,864
1996-97	898,019	2,124,786	3,262,818	604,398	67,525,884
1997-98	8,754	2,007,788	3,442,184	293,002	70,103,552
1998-99	8,748		3,680,594	2,886,021	74,752,893
1999-00	-	2,397,473	3,874,674	266,417	79,752,934
2000-01	-	2,432,256	6,831,889	367,471	93,673,021
2001-02	-	2,573,044	5,192,589	910,242	92,852,362

⁽¹⁾ Includes General, Special Revenue, and Debt Service Funds.

CITY OF COSTA MESA, CALIFORNIA GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1) Last Ten Fiscal Years

Fiscal Year	Property Taxes	Sales and Use Taxes	Transient Occupancy Taxes
1992-93	\$ 14,294,666	\$ 23,307,576	\$ 2,285,494
1993-94	13,305,303	25,050,697	2,434,782
1994-95	12,700,259	25,497,172	2,640,750
1995-96	12,219,721	26,367,098	2,977,748
1996-97	12,095,008	28,494,658	3,466,941
1997-98	12,431,496	29,744,106	3,846,151
1998-99	13,285,302	30,883,789	4,451,038
1999-00	14,131,797	33,351,512	4,118,044
2000-01	15,783,325	36,867,113	4,856,772
2001-02	16,811,162	35,178,780	3,865,823
Fiscal Year	Franchise Taxes	Business License Taxes	Total Taxes
1992-93	\$ 1,580,745	\$ 748,048	\$ 42,216,529
1993-94	1,525,552	776,267	43,092,601
1994-95	1,575,636	755,051	43,168,868
1995-96	1,616,685	753,918	43,935,170
1996-97	1,779,341	818,870	46,654,818
1997-98	1,827,146	778,623	48,627,522
1998-99	1,844,441	806,379	51,270,949
1999-00	2,008,090	817,795	54,427,238
2000-01	2,132,795	794,196	60,434,201
2001-02	2,366,926	842,839	59,065,530

⁽¹⁾ Includes General, Special Revenue, and Debt Service Funds.

CITY OF COSTA MESA, CALIFORNIA RETIREMENT PLAN FOR SAFETY EMPLOYEES OF THE CITY OF COSTA MESA

REVENUES BY SOURCE AND EXPENSES BY TYPE

Ten Years Ended June 30, 2002 Revenues by Source

	The vehicle by Source					
	Participant	City		Investment		
Fiscal Year	Contributions	Contributions	<u>%</u> (1)	Income (Loss)	Total	
1993	\$ 1,344,026	\$ 2,202,141	16	\$ 4,591,570	\$ 8,137,737	
1994	1,152,418	-	-	6,112,611	7,265,029	
1995 (2)	-	-	-	-	-	
1996	-	-	-	-	-	
1997	-	-	-	-	-	
1998	-	-	-	-	-	
1999	-	-	-	-	-	
2000	-	-	-	-	-	
2001	-	-	-	-	-	
2002	-	-	-	-	-	

Expenses by Type

Fiscal Year	Benefits	Withdrawals	Administrative Expenses	TOTAL
1993	\$ 2,161,549	\$ 118,096	\$ 600,726	\$ 2,880,371
1994	2,462,965	-	680,938	3,143,903
1995 (2)	-	-	-	-
1996	-	-	-	-
1997	-	-	-	-
1998	-	-	-	-
1999	-	-	-	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-

⁽¹⁾ City contributions as a percent of annual covered payroll.

⁽²⁾ As of September 6, 1994, the City transferred the assets of its Retirement Plan for Safety Employees to the California Public Employees Retirement System.

CITY OF COSTA MESA, CALIFORNIA STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT June 30, 2002

2000-02 Assessed Valuation: \$8,705,508,903 (after deducting \$267,457,114 Redevelopment incremental valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable		Debt 6/30/01
Orange County Teeter Plan Obligations Metropolitan Water District Newport Mesa Unified School District Santa Ana Unified School District City of Costa Mesa City of Costa Mesa Community Facilities District No. 91-1	3.886 0.823 30.130 4.622 100.000 100.000	\$	4,835,156 4,140,307 12,052,000 2,603,110 490,000 2,800,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$	26,920,573
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Orange County General Fund Obligations Orange County Pension Obligations Orange County Transit District Authority Orange County Board of Education Certificates of Participation Municipal Water District of Orange County Water Facilities Corporation Orange County Water District Certificates of Participation County Sanitation District No. 1 Certificates of Participation County Sanitation District No. 6 Certificates of Participation County Sanitation District No. 7 Certificates of Participation Coast Community College District Certificates of Participation Newport Mesa School District Certificates of Participation Santa Ana Unified School District Certificates of Participation Irvine Ranch Water District Certificates of Participation City of Costa Mesa General Fund Obligations	3.886 3.886 3.886 3.886 3.686 6.412 3.239 69.453 16.139 14.974 30.130 4.622 1.903 100.000	\$	39,477,447 5,231,041 307,188 777,200 1,979,198 13,734,504 813,136 1,892,504 1,241,120 2,292,519 1,027,433 2,085,716 1,002,881 26,135,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATIO Less: Orange County Transit District Authority (80% self-supporting) Orange County Water District Certificates of Participation (100% self-sup MWDOC Water Facilities Corporation (100% self-supporting)	N DEBT	\$	97,996,887 245,751 13,734,504 1,979,198
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION I	DEBT	\$	82,037,434
GROSS COMBINED TOTAL DEBT NET COMBINED TOTAL DEBT		\$ \$	124,917,460 (1) 108,958,007

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2001-02 Assessed Valuation:	
Direct Debt (\$ 490,000)	0.01%
Total Direct and Overlapping Tax and Assessment Debt	0.30%
• •	
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt (\$26,625,000)	0.31%
Gross Combined Total Debt	1.43%
Net Combined Total Debt	1.25%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

Source: California Municipal Statistics, Inc.

CITY OF COSTA MESA, CALIFORNIA RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Assessed Value	Gross Bonded Debt	
1992-93	101,048	\$7,391,331,215	\$2,150,000	
1993-94	102,360	7,365,333,620	2,000,000	
1994-95	103,823	7,179,275,787	1,840,000	
1995-96	102,084	6,893,284,716	1,670,000	
1996-97	102,574	6,799,617,743	1,500,000	
1997-98	104,237	6,986,832,897	1,320,000	
1998-99	105,608	7,159,963,142	1,130,000	
1999-00	106,607	7,630,306,669	930,000	
2000-01	110,932	8,364,393,299	720,000	
2001-02	110,720	8,937,943,913	490,000	
Fiscal Year	(3) Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per <u>Capita</u>
Fiscal Year	Less Debt		Bonded Debt to	Debt Per
	Less Debt Service Fund	Bonded Debt	Bonded Debt to Assessed Value	Debt Per Capita
1992-93	Less Debt Service Fund \$172,994	Bonded Debt \$1,977,006	Bonded Debt to Assessed Value	Debt Per Capita
1992-93 1993-94	Less Debt Service Fund \$172,994 197,229	\$1,977,006 1,802,771	Bonded Debt to Assessed Value 0.0003 0.0002	Debt Per Capita 19.57 17.61
1992-93 1993-94 1994-95	\$172,994 197,229 233,842	\$1,977,006 1,802,771 1,606,158	O.0003 0.0002 0.0002	19.57 17.61 15.47
1992-93 1993-94 1994-95 1995-96	\$172,994 197,229 233,842 232,954	\$1,977,006 1,802,771 1,606,158 1,437,046	0.0003 0.0002 0.0002 0.0002	19.57 17.61 15.47 14.08
1992-93 1993-94 1994-95 1995-96 1996-97	Less Debt Service Fund \$172,994 197,229 233,842 232,954 239,944	\$1,977,006 1,802,771 1,606,158 1,437,046 1,260,056	0.0003 0.0002 0.0002 0.0002 0.0002	19.57 17.61 15.47 14.08 12.28
1992-93 1993-94 1994-95 1995-96 1996-97 1997-98	Less Debt Service Fund \$172,994 197,229 233,842 232,954 239,944 268,605	\$1,977,006 1,802,771 1,606,158 1,437,046 1,260,056 1,051,395	0.0003 0.0002 0.0002 0.0002 0.0002 0.0002	19.57 17.61 15.47 14.08 12.28 10.09
1992-93 1993-94 1994-95 1995-96 1996-97 1997-98 1998-99	Less Debt Service Fund \$172,994 197,229 233,842 232,954 239,944 268,605 298,699	\$1,977,006 1,802,771 1,606,158 1,437,046 1,260,056 1,051,395 831,301	0.0003 0.0002 0.0002 0.0002 0.0002 0.0002 0.0002 0.0002	19.57 17.61 15.47 14.08 12.28 10.09 7.87

⁽¹⁾ Population - Source, State of California, Department of Finance.

⁽²⁾ Assessed Valuation - Source: HdL Coren & Cone, Orange County Assessor 2001/02 Combined Tax Rolls.

⁽³⁾ Amount available for repayment of General Obligation Bonds.

CITY OF COSTA MESA, CALIFORNIA COMPUTATION OF LEGAL DEBT MARGIN Fiscal Year Ended June 30, 2002

ASSESSED VALUE		\$ 8,937,943,913
DEBT LIMIT: 3.75 Percent of Assessed Value		\$ 335,172,897
Amount of Debt applicable to Debt Limit:		
Total Bonded Debt	\$ 490,000	
	\$ 490,000	
LESS: Assets in Debt Service Fund (Net)	345,402	
TOTAL AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		\$ 144,598
LEGAL DEBT MARGIN		\$ 335,028,299

CITY OF COSTA MESA, CALIFORNIA RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1) Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Services	Total General Governmental Expenditures	Ratio Debt Service to General Govmtl. Expenditures (Percent)
1992-93	\$140,000	\$118,225	\$258,225	\$64,348,158	0.40
1993-94	150,000	113,867	263,867	59,144,232	0.45
1994-95	160,000	107,845	267,845	63,588,012	0.42
1995-96	170,000	95,415	265,415	69,294,351	0.38
1996-97	170,000	86,575	256,575	70,373,988	0.36
1997-98	180,000	77,650	257,650	73,778,936	0.35
1998-99	190,000	68,200	258,200	70,860,400	0.36
1999-00	200,000	58,130	258,130	71,286,590	0.36
2000-01	210,000	47,530	257,530	78,230,729	0.33
2001-02	230,000	39,136	269,136	88,633,599	0.30

⁽¹⁾ Includes General, Special Revenue, and Debt Service Funds.

CITY OF COSTA MESA, CALIFORNIA TAX RATES, LAST TEN YEARS (1) (PER \$100 ASSESSED VALUATION) Tax Code Area 15-045

Year	School Tax Rate	County Tax Rate (2)	Miscellaneous Districts Tax Rate	Costa Mesa 1974 Open Space Bond Issue Tax Rate	Total Tax Rate
1992-93	.0028	1.0000	.0098	.0039	1.0165
1993-94	.0025	1.0000	.0097	.0042	1.0164
1994-95	-	1.0000	.0096	.0044	1.0140
1995-96	-	1.0000	.0094	.0044	1.0138
1996-97	-	1.0000	.0090	.0042	1.0132
1997-98	-	1.0000	.0089	.0042	1.0131
1998-99	-	1.0000	.0089	.0041	1.0130
1999-00	-	1.0000	.0089	.0038	1.0127
2000-01	-	1.0000	.0146	.0030	1.0176
2001-02	-	1.0000	.0134	.0028	1.0162

⁽¹⁾ Source: County of Orange, Auditor-Controller.

⁽²⁾ Effective FY 1978-79 with the implementation of Proposition 13, the County Tax Rate represents the tax levy for all local agencies except that necessary to amortize general obligation bonds.

TABLE 10 CITY OF COSTA MESA, CALIFORNIA PROPERTY TAX LEVIES AND COLLECTIONS₍₁₎ - GENERAL FUND Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected
1992-93	\$12,652,304	\$11,825,183	93.5%
1993-94	11,054,404	10,576,816	95.7%
1994-95	10,841,397	9,962,524	91.9%
1995-96	10,340,638	9,849,355	95.2%
1996-97	10,196,740	9,724,752	95.4%
1997-98	10,596,928	10,409,996	98.2%
1998-99	10,887,990	10,701,996	98.3%
1999-00	11,749,672	11,575,465	98.5%
2000-01	12,837,737	12,656,164	98.6%
2001-02	13,759,323	13,427,866	97.6%

Fiscal Year	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy
1992-93	\$538,570	\$12,363,753	97.7%
1993-94	582,398	11,159,214	100.9%
1994-95	223,152	10,185,676	94.0%
1995-96	463,723	10,313,078	99.7%
1996-97	381,711	10,106,463	99.1%
1997-98	329,198	10,739,194	101.3%
1998-99	238,845	10,940,841	100.5%
1999-00	218,157	11,793,622	100.4%
2000-01	216,612	12,872,776	100.3%
2001-02	229,852	13,657,718	99.3%

(1) Source: Orange County Assessor 2001/02 Combined Tax Rolls.

CITY OF COSTA MESA, CALIFORNIA PRINCIPAL PROPERTY TAXPAYERS (1) Fiscal Year Ended June 30, 2002

	Property Owner	2	002 Assessed Valuation	Percentage of Total Assessed Valuation
1.	South Coast Plaza	\$	196,338,573	2.20%
2.	FSP Two Town Center LLC		145,586,196	1.63%
3.	Los Angeles Times Communications LLC		137,342,043	1.54%
4.	City of Costa Mesa		127,452,854	1.43%
5.	Sakioka Farms		123,864,250	1.39%
6.	CJ Segerstrom & Sons		102,956,704	1.15%
7.	Casden Lakes Limited Partnership		98,720,810	1.10%
8.	Interinsurance Exchange of Auto Club		96,187,101	1.08%
9.	Orange County Performing Arts Center		96,184,878	1.08%
10.	CMF Inc.		88,665,365	0.99%
		\$	1,213,298,774	13.57%

⁽¹⁾ Source: HdL Coren & Cone, Orange County Assessor 2001/02 Combined Tax Rolls.

CITY OF COSTA MESA, CALIFORNIA SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS (1) Last Ten Fiscal Years

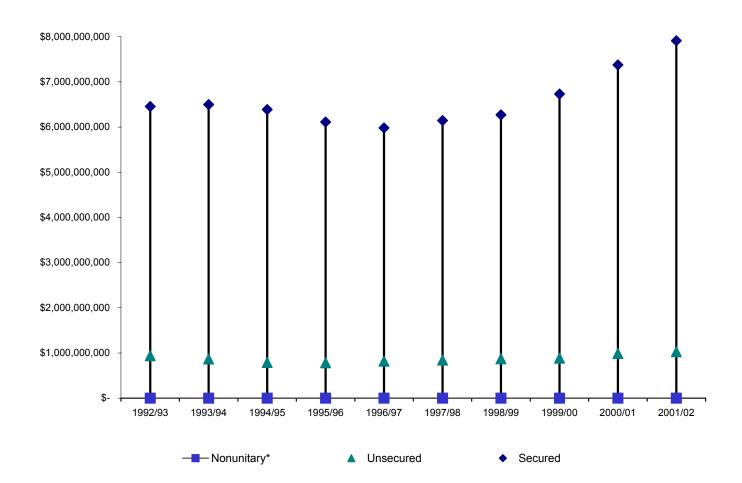
Fiscal Year	Current Assessments	Assessments Collected	Ratio of Collections to Amount Due	Total Outstanding Current & Delinquent Assessments
1992-93	\$1,607,230	\$1,810,024	112.6%	\$614
1993-94	1,568,111	1,744,487	111.2%	268
1994-95	1,529,059	1,506,500	98.5%	65
1995-96	1,474,592	1,484,753	100.7%	188
1996-97	1,153,376	1,150,429	99.7%	517
1997-98	256,871	252,867	98.4%	149
1998-99	260,171	259,630	99.8%	142
1999-00	247,375	246,633	99.7%	-
2000-01	249,106	248,359	99.7%	-
2001-02	250,381	249,630	99.7%	-

⁽¹⁾ Source: Orange County Assessor Tax Ledger.

CITY OF COSTA MESA, CALIFORNIA NET TAXABLE ASSESSED VALUES Last Ten Fiscal Years

Lien Year:	1992/93	1993/94	1994/95	1995/96	1996/97
Secured	\$6,454,288,283	\$6,498,501,203	\$6,388,705,318	\$6,111,102,140	\$5,981,565,797
Nonunitary *	\$2,563	\$2,395	\$2,723	\$3,971	\$3,595
Unsecured	\$937,040,369	\$866,830,022	\$790,567,746	\$782,178,605	\$818,048,351
Net Total AV	\$7,391,331,215	\$7,365,333,620	\$7,179,275,787	\$6,893,284,716	\$6,799,617,743

Lien Year:	1997/98	1998/99	1999/00	2000/01	2001/02
Secured	\$6,144,988,121	\$6,272,401,475	\$6,731,312,359	\$7,375,600,479	\$7,912,343,814
Nonunitary *	\$4,530	\$3,973	\$2,714	\$2,510	\$2,747
Unsecured	\$841,840,246	\$871,529,318	\$884,454,174	\$988,790,310	\$1,025,597,352
Net Total AV	\$6,986,832,897	\$7,143,934,766	\$7,615,769,247	\$8,364,393,299	\$8,937,943,913



CITY OF COSTA MESA, CALIFORNIA PROPERTY VALUE

Last Ten Fiscal Years (In Thousands)

Fiscal Year	Commercial	Residential	Nontaxable
1992-93	\$2,833,153	\$3,457,337	\$222,664
1993-94	3,110,539	3,519,778	228,344
1994-95	2,881,148	3,514,491	235,369
1995-96	2,741,203	3,494,975	253,887
1996-97	1,842,147	3,462,381	351,749
1997-98	2,753,246	3,564,554	260,294
1998-99	2,810,295	3,530,964	207,343
1999-00	2,193,044	3,992,290	370,729
2000-01	1,714,378	4,386,916	380,196
2001-02	1,554,319	4,704,477	392,557

⁽¹⁾ FY 1987-88 through FY 1995-96, City of Costa Mesa Development Services Department.

FY 1996-97, Hdl Coren & Cone, Orange County Assessor 1996/97 Combined Tax Rolls.

FY 1997-98 and FY 1998-99, City of Costa Mesa Development Services Department.

FY 1999-00 through FY 2001-02, HdL Coren & Cone, Orange County Assessor Combined Tax Rolls.

CITY OF COSTA MESA, CALIFORNIA CONSTRUCTION VALUE

Last Ten Fiscal Years (In Thousands)

	Commercial (1)		Residential (1)	
Fiscal Year	Number of Permits	Construction Value	Number of Permits	Construction Value
1992-93	-	\$25,368	-	\$18,829
1993-94	-	18,933	-	12,662
1994-95	-	27,022	-	8,695
1995-96	-	61,073	-	12,024
1996-97	30	6,626	443	22,818
1997-98	30	4,136	375	12,031
1998-99	28	21,829	342	14,785
1999-00	26	32,444	397	15,305
2000-01	28	34,961	439	20,409
2001-02	14	13,308	432	11,002

⁽¹⁾ City of Costa Mesa Development Services Department. Number of permits was not available in years prior to FY 1996-97.

CITY OF COSTA MESA, CALIFORNIA **DEMOGRAPHIC STATISTICS**

Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (1)	Median Age (1)	School Enrollment (2)	Orange County Unemployment Rate (1 & 3)
1992-93	101,048	18,900	31	9,897	6.7%
1993-94	102,360	18,900	31	9,865	5.8%
1994-95	103,823	18,900	31	9,939	5.5%
1995-96	102,084	18,900	31	10,301	4.3%
1996-97	102,574	18,900	31	10,836	3.2%
1997-98	104,237	18,900	31	10,414	2.9%
1998-99	105,608	18,900	31	20,779	2.9%
1999-00	106,607	18,900	31	21,364	2.9%
2000-01	110,932	18,900	32	21,138	3.0%
2001-02	110,720	18,900	32	21,622	2.6%

California Dept. of Finance.
 Newport-Mesa Unified School District.
 State of California Employment Development Department as of June 30th of each year.

CITY OF COSTA MESA, CALIFORNIA MISCELLANEOUS STATISTICS

General

Date of incorporation June 29, 1953

Form of government Council-Manager

Classification General Law

Area 16.8 Square Miles

Major industries Trade (retail and wholesale),

manufacturing and services

Acres zoned for industry 1,146 Acres of open space 1,957 Post offices 2

Fire Protection

Number of Stations 6
Number of Sworn Fire Fighters 102
Fire Insurance Rating Class 2

Police Protection

Number of Sworn Police Officers 160

Streets, Parks and Sanitation

Miles of streets525 Lane MilesMiles of alleys14.61Trees, street25,000Park sites2718-hole public golf courses2Miles of storm drains45.5Miles of sewers325.7

Sanitation pumping stations 20

Education Facilities

Elementary schools 11
Junior High schools 2
High schools 2
2-year community college 1
4-year college 3
Public libraries 2